

AGRICULTURAL MARKETING IN INDIA

(With Special Reference to Co-operative
Marketing of Agricultural Produce in India)

Vol. II

(Completely revised and enlarged)

By

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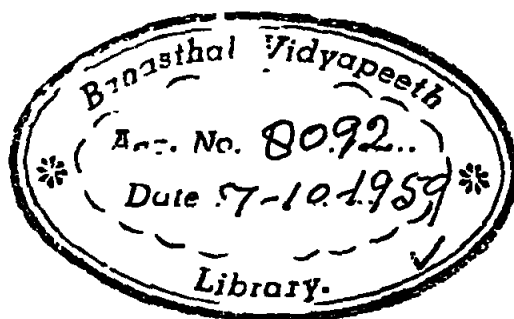
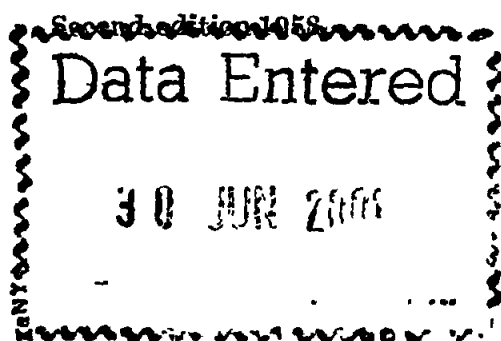
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There was a time when co-operative marketing—like nearly all marketing of agricultural produce—was part of the economy of the village and appeared to be a process so simple that only honesty, order and attention to the interests of members were needed for success. The situation today is very different. Whether agricultural co-operatives have expanded of their own momentum or are being pressed by the state to take on new activities, their task is becoming vastly more complex than in the days of the village pioneers. Organisations are becoming larger and are linked in still larger federations. A substantial share in the national output of many commodities is already in co-operative hands. Of the many stages between cultivation and consumer, more and more are coming under co-operative control. Processing is becoming technically more elaborate and the need for capital greater than in the past.

All this calls for a standard of co-operative management very different from that acceptable even twenty years ago. In considering the steps necessary to carry out the co-operative sections of the Second Five Year Plan, the Government of India has rightly laid stress on the need to educate the future leaders of the movement not only in administration, finance and the principles of co-operation, but in the principles and techniques of modern business management. Much has been written on these topics by European and American writers which may be read with profit by Asian students, but too much of it is drawn from essentially Western experience and often refers to industrial commodities and urban conditions. The great value of Professor Kulkarni's work is that his factual material is taken from the experience of India itself, while its presentation and the conclusions he draws are addressed directly to those who are students today and will be the business leaders of Indian co-operation tomorrow.

The book falls into two main parts. An informative and, in the case of two important commodities, cotton and oilseeds, most detailed account of general commodity marketing in India is balanced by a survey, State by State, of co-operative marketing as it existed on the eve of the Second Five Year Plan. This is of value not only to students but to policy makers, who know that a past success is the surest foundation for a further advance, and that the causes of past failure may be simple or complex but can never be ignored when a new assault upon an old problem is being planned.

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No one should embark upon a programme of co-operative development or upon an individual co-operative career without an understanding of what co-operation aims at achieving in terms of human welfare. No one, on the other hand, should attempt either of these things without an understanding of the circumstances, national and international, within which it must operate, and the tools and resources, human, mechanical, financial, with which it will have to work. To this realistic attitude in India Professor Kulkarni's book is an indispensable approach.

The Horace Plunkett Foundation,
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London, W. C. 1.

MARGARET DIGBY.

PREFACE TO THE SECOND EDITION

In presenting the 2nd Edition of the book to students, teachers, co-operative workers and institutions and to all interested in the development of co-operative marketing in this country, the author expresses his gratitude at the warm reception accorded to the 1st Edition and feels encouraged at the urgent demand that has existed for some time past for another edition.

The Report of the Rural Credit Survey Committee, now accepted by the Government of India as well as the provisions of the Second Five-Year Plan, call for a great extension of agricultural co-operation into the field of marketing and for the training of large numbers of co-operative officers to man the various institutions that are going to come into existence in the Plan period. In order to train such men, courses of training on Co-operative Marketing have been started by the Central Committee for Co-operative Training at different centres. In order to train such men factual information must be placed before them. It has, however, been a difficulty with the student and the teacher alike to find a suitable text-book which covers the entire syllabus. My revising the edition of the book on Agricultural Marketing in India with special reference to Co-operative Marketing of Agricultural Produce is an humble attempt to overcome this difficulty. The book is also intended to be useful to advanced students of Commerce and businessmen as it contains up-to-date information on two of the important organized markets in Bombay viz. the East India Cotton Association Ltd. and the Bombay Oilseeds Exchange Ltd., Bombay. Two more chapters—one on the role of the Reserve Bank of India in the financing and marketing of crops and other on foreign trade of India in agricultural commodities—have also been added. One of these two additions has been specifically made to cover the syllabus prescribed for the course on Co-operative Marketing. Apart from the new matter that is included, much of the text material in the 1st Edition has been enlarged, thoroughly revised and entirely re-written and re-arranged at appropriate places. All these new additions, expansion of material and its revision and amplification, have not only

increased the volume of the book but also have considerably enhanced its usefulness for those for whom it is intended. To increase its utility further a glossary of technical terms together with a copy of the text of the Agricultural Produce (Development and Warehousing) Act, 1956, is added at the end. It is hoped that this edition will prove of much greater utility than its predecessor.

The figures quoted and the facts have been brought down to-date by using such material at the time the actual revision was undertaken in 1955. While the process of printing a volume of this size is gradual and necessarily covers several months, water is flowing under the bridge all the while. It is, therefore, inevitable that by the time the publication sees the light of the day, some portions of the text cease to be quite up-to-date. As a matter of fact, the revision of any book on any branch of Indian Economics in a few years' time means a great deal of alteration in the subject-matter and also a great deal of addition to it. This is particularly so in the case of a book dealing with important branch of Agricultural Economics. Viz. Agricultural Marketing with reference to Co-operative Marketing of Agricultural Produce, which has received so much attention in recent years. When the book was in the press, the technique of forward trading and hedging followed by the East India Cotton Association Ltd. was continuously undergoing modification and the bye-laws of the Association were, therefore, extensively amended twice during a period of two years. To catch up with the developments, an appendix has been added to Chapter V in order to enable the reader to make a comparative study of the old and the new hedge contract and the modifications that have been brought about in the technique of forward trading. More recently, the East India Cotton Association Ltd. is understood to have reverted to one contract only (Vide appendix at the end) and thus no finality has yet been reached as the Forward Market Commission, the controlling authority under the Indian Forward Contracts Regulation Act, 1952, is still experimenting with different techniques in regard to different facets of forward trading in pursuit of a policy of putting a curb on unhealthy speculation in the cotton trade in Bombay and enhancing the utility of the hedge contract.

In presenting the material I have gathered from many sources, I have persistently endeavoured to make it as accurate, useful and interesting and up-to-date as possible. I am, however, conscious that in spite of my best efforts the book is not entirely without shortcomings. I could not bring the statistical matter in most cases later than 1954 on account of its unavailability at the time of revision.

In a book of this size and nature, the author had necessarily to depend upon his own personal enquiries and discussions he had with the office-bearers of institutions like the East India Cotton Association Ltd. and the Bombay Oilseeds Exchange Ltd. in getting his ideas clarified in regard to certain technical aspects of their working. Further he has received assistance from many people and many institutions. The contents of the book are also the result of a study of Manuals for Co-operative Societies in Madras and Bombay and other valuable publications of the Reserve Bank of India, co-operative journals, press reports notes submitted to, and the resolutions passed at, several conferences on Co-operation and Marketing as the bibliography attached at the end will show. The author, therefore, takes this opportunity of acknowledging the deep debt of gratitude he owes to the numerous writers and authors of notes and articles, from whose writings he has drawn the material and inspiration. His thanks are also due to all those office-bearers who readily supplied him with notes on the working of institutions in their charge and particularly to Shri B. R. Chinai, Secretary, Bombay Oilseeds and Oil Exchange Ltd., who was kind enough to take the trouble of going through the manuscript and making useful suggestions. Similarly, he must thank the authorities of the East India Cotton Association Ltd. and the Bombay Oilseeds Exchange Ltd., for permitting him to use the forms etc. contained in the bye-laws of their respective Association. Again the author is greatly indebted to the Ministry of Food & Agriculture, Union Government, for permission accorded to him to include the text of the Agricultural Produce (Development and Warehousing) Act of 1956 as one of the appendices to this book. Further he must express his sense of gratitude to the authorities of the Agricultural Credit Department of the Reserve Bank of India and particularly to Shri J. C. Ryan, M.A., I.A.S. (Rtd.), Chief Officer, for having

allowed him access to the material available in the Agricultural Credit Department. Similarly, the author must not fail to express his sense of obligation to all those institutions and State Co-operative Departments that readily and willingly furnished him with the requisite information needed and useful for his purpose. Further, Miss Margaret Digby—a veteran co-operator—has laid the author under a deep debt of obligation by contributing an introduction to the book. Finally, he must thank the Superintendent of the Bombay University Printing Press for the painstaking manner in which the work was executed in spite of certain handicaps.

The Author.

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MARKETING OF AGRICULTURAL PRODUCE IN INDIA

CHAPTER I

EVOLUTION OF MARKETS IN INDIA

Present-day economic life is the result of a slow process of evolution. In the earliest stages known to history, man lived upon wild roots and fruits and he soon reached the hunting stage. At this stage, crude weapons were fashioned and man wandered from place to place in search of food. But as time passed, the value of seeds for raising crops was brought home to the wandering man and he cleared patches of forests for growing food. The third stage was reached when animals were domesticated. The animals became the chief source of a more abundant food supply than before. This was a pastoral stage soon followed by the agricultural stage. At this stage, the population grew and began to settle down in definite localities for regular cultivation of land. With the growth in population, the land available was found to be inadequate and a part of the population migrated to other localities to form subsidiary settlements. Land in such colonies was held in common ownership and crops began to be raised on a permanent basis. This led to the formation of village communities in course of time. With the growth in the number of villages or hamlets thus formed, a sort of mutual communication between villages was inevitable though there could be no glimpse of trade between them at this stage. As each community produced similar crops required for its maintenance, within itself each village was self-contained; the farmer produced agricultural products and the artisan produced a few articles that were required for the simple needs of the village community. All the artisans were paid in kind. With a further increase in population, the desire to possess land became great and everyone attempted to have a piece of land for himself. The result was that frequent disputes arose for possession of land and a crude form of government came into being to settle such disputes. The

establishment of a government for the purpose of internal administration and external defence at a central place attracted to that place non-agricultural population such as artisans, traders, merchants and middlemen. They had to be fed and farmers in the surrounding country had to produce more so as to be able to pass on the surplus to feed this population in the central place or places. These were in fact the towns that grew in the seats or places where government was established. The needs of the non-agricultural population in these central places were diverse and various articles produced by them had to be exchanged for the food they required. The use of tokens to facilitate exchange was soon established as the system of barter was found to be inconvenient to meet the growing needs of the community. When exchange by barter thus gave place to exchange effected through the medium of money, exchange of goods was simplified between different communities residing in towns and villages. Most of the towns according to Prof. D. R. Gadgil owed their existence to any one of the three reasons, viz. (1) they were sacred places or places of pilgrimage or (2) they were the seats of government or (3) they were commercial depots strategically situated along trade routes. Of these three, the first two were the most important, e.g. Allahabad and Benaras fall under the first category and Paithan, Bijapur or Devgiri fall under the second category. The last class of towns owed their importance to their peculiar position along trade routes, e.g. the town of Mirzapur was commercially important as it was the highest navigable point on the Ganges. It enjoyed prosperity because most of the export trade in cotton of Central India passed through this point. The importance of these towns at this time did not, however, depend much upon the industry carried on in them. In towns which depended for their prosperity in virtue of their position as courts of ruling chiefs, arts and luxury industries predominated. In towns which were places of pilgrimage, the copper and bell-metal industries were important and the wares produced were mainly intended for the purpose of worship. From what has been mentioned before, it would be seen that many of the towns in those days were merely overgrown villages and the urban proportion of the total population in them must have formed a very small fraction of the total population. The

village community which was self-contained and self-centred was the most important feature of Indian economic life and towns were also not influential as they were not an important part of the general life of the country. Religious gatherings thronging the places of pilgrimage on certain occasions afforded opportunities for the development of trade in a few specific articles. While carrying goods from one place to another, traders moved in caravans and journeyed along certain well-defined routes. Along these routes, there were many stopping places provided with rest houses for the convenience of travellers. At the halting places on their journey, traders used to part with a portion of their goods which were costly ones. There were in those days, numerous taxes and octroi duties levied at different points and the cost of protection of the caravans against robbers on the highways was also pretty heavy. There was no trade worth the name in agricultural produce and villages remained on a subsistence economy for a long time. Lack of proper communications, absence of internal security, coupled with capricious demands of the State continued to be the chief obstacles in the way of development of trade. With the establishment of the British rule in India, the revenue demand by the State came to be fixed for a sufficiently long period after prolonged enquiry made into the rights in land and this removed much of the anxiety of the revenue payers and was instrumental in stimulating increased effort at production which received a further stimulus on account of improved communications. The Royal Commission on Agriculture wrote in this context :

“The effect of improved communications in stimulating production and facilitating distribution has been great. Their influence in another direction is also becoming increasingly marked. The old self-sufficing type of agriculture is in some measure being replaced by a more commercialised system in which the cultivator of money crops, i.e. crops intended entirely for sale such as cotton, jute and oilseeds is increasingly prominent. The cultivator has begun to look beyond the present needs of his family, and the demands of the market are more and more determining what he shall produce. With the opening up of the Suez Canal in the year 1869 and the building up of roads and railways in India, the foreign markets for the Indian agricultural

products chiefly raw materials such as jute, cotton, oilseeds, etc. were thrown open and the volume of exports began to expand on a large scale. It is this factor which brought the Indian markets and Indian supply of raw materials into closer contact with the West. Production of agricultural commodities on a commercial scale was also facilitated by the development of irrigation works especially in the Punjab and the U.P. The effect of these changes was that villages emerged from a subsistence economy into that of surplus and exchange."

The earliest forms of market institutions in India are known as Fairs, Hats and Painths and Shandies.

Fairs

A fair is a gathering of people who flock at certain intervals in certain fixed places and generally around shrines or religious institutions. The gathering consists not only of buyers and sellers but also of pilgrims, pleasure-seekers or other travellers. Fairs have either a religious background or trace their origin to economic considerations. Some of the fairs have lost their religious origin and have become purely commercial ones. These fairs usually draw people from distant places. Fairs usually fall into two categories : (a) Fairs in which cattle trade or trade in agricultural products is carried on, and (b) Fairs which have retained their purely religious character.

Fairs and Markets distinguished

The distinction between a market and a fair is that a market like a fair denotes a gathering of people but the gathering is held at more frequent intervals than a fair. Secondly, the gathering in a market is confined to buyers and sellers and is, therefore, exclusively a business one whereas a fair usually signifies a spirit of holiday-making. Besides, the attendance in markets is not so large as in the case of a fair.

The Classification of Markets

In India, the markets as a rule have not been established according to each commodity handled. A number of commodities

may be dealt in the same market. Markets may be broadly classified under the three main categories, viz., (*vide* diagram in Vol. I).

(A) (a) Primary, (b) Secondary and (c) Terminal :—

(a) *Primary Markets*.—These include mainly the periodical markets held once or twice a week and designated as “*Painths*” or “*Hats*” in U.P., Bihar and Orissa. In Bengal, they are called “*Hats*” and in Southern India they go by the name of “*Shandies*”. At these markets retail sales of a wide range of commodities consisting of foodstuffs, fruits, vegetables, cloth, earthenwares, bangles etc. take place, either for cash or in exchange of household requirements. The days on which these markets are held are so fixed as to enable itinerant dealers to visit them in succession in a particular area.

(b) *Secondary Markets*.—The secondary markets called ‘*Mandies*’ or ‘*Gunjs*’ are wholesale markets held in fixed places where business is transacted daily. Usually they are situated in the district and taluka headquarters, important trade centres and near Railway Stations. In these mandies or gunjs, produce is handled in large quantities and specialized operators such as weighmen, brokers and commission agents become necessary for the performance of different services. Sellers receive prompt payment of the sale proceeds from commission agents and buyers obtain credit facilities, if necessary, for varying periods. Payment is made either in cash or by means of cheques or hundis. These mandies or gunjs serve as assembling points also for produce received locally or from other distant markets. Storage and financial facilities are also available.

(c) *Terminal Markets*.—The expression “terminal market” is normally associated with a port market, but may be defined for general purposes as a market in which the produce is finally disposed of direct to consumers or processors or is assembled for shipment to foreign destinations. In the case of wheat and linseed, the Port Markets of Bombay and Calcutta, where large quantities of these commodities are processed or consumed locally or assembled for export abroad, may be referred to as “Terminal Markets”. In the case of rice, however, there are a number of inland markets which operate to some extent as

terminal markets. Calcutta, Delhi and Kanpur furnish examples of this type of markets. Some of the terminal markets in the case of groundnuts in the Madras State are so near the places or regions of production that the cultivators dispose of their produce direct to exporters. Cuddalore is a good example of a Port Market which serves as a primary, secondary and terminal market. The area served by the Port Markets is generally very extensive, e.g., arrivals of wheat in Bombay are usually drawn from Hyderabad, Madhya Bharat, Madhya Pradesh, Southern Districts of U.P. and Rajputana States.

(B) Markets may also be classified as under :—

(1) *Produce Exchanges*.—A produce exchange is a wholesale market dealing in a particular commodity or a group of commodities where business is transacted according to definite rules and regulations. Reference has already been made to this subject in Part I of this book and a detailed treatment of the two of the most important Produce Exchanges in India is also attempted in a subsequent chapter. The East India Cotton Association, Ltd., Bombay, and the Bombay Oilseeds Exchange, Ltd., are examples of Produce Exchanges of non-profit-sharing type. The profit-sharing type is found in Northern India.

(2) *Retail Markets*.—Retail markets are either situated at particular localities or are scattered over a town or city, at various points. In important cities, municipalities control markets in the case of vegetables, fruits, meat etc. A retailer usually trades in a large variety of goods useful for the household.

(3) *Producing or Consuming Markets*.—Some Markets are primarily engaged in assembling a particular commodity for further distribution amongst the wholesalers or for despatch outside the market. Such a market is generally located in an area where there is a sizable production of that commodity and the total supplies assembled in that market would be surplus to the direct requirements of the local population. In such a case, the market may be called a 'Producing Market.' Some markets may, on the other hand, be collecting the local produce or may obtain it from other producing markets, not so much for further distribution as for consumption by the local population. Such a

market would be located in an area whose own production is inadequate to the consumption demand of the local population. In such a case, the market may be designated as a 'consuming market'.

Market Functionaries

(a) *Primary Markets*.—In the primary markets, apart from producers, the village merchants and itinerant traders also operate. The village merchant is sometimes a producer himself, and buys locally for sale to itinerant merchants. Although at times, he may take his goods to secondary markets, storing and assembling are his main functions. Often he advances money to the producer, thus acting as a financier as well.

(b) *Functionaries operating in a secondary or wholesale market*.—The various types of persons operating in a wholesale market are discussed in the next chapter.

(c) *Persons operating in the Terminal Markets*.—A large number of functionaries operate in the terminal markets, e.g., in Calcutta, there are the wholesalers and commission agents. Their main functions are assembling, collecting, packing, storing and financing. Commodities exported to foreign countries are handled by a special class of intermediaries called 'shippers'. Retailers are also found in large numbers for the purpose of making goods available to small consumers. An organization of producers themselves and a reorganization of the existing markets may be helpful in eliminating some of the links in the chain of the middlemen, thereby shortening the latter. There is also a clear need for licensing some of these operators and for controlling their activities.

CHAPTER II

FAIRS

Of the two classes of fairs mentioned in the preceding Chapter, fairs which are important in the livestock trade or in agricultural produce are only dealt with in the present Chapter.

Number*

In all there are 1,700 livestock and produce fairs in India. Of these, 50 per cent deal in livestock only. About 10 per cent deal both in livestock and produce. The remaining 40 per cent deal in agricultural products only. Produce fairs are all found in Bihar and Orissa only. The U.P. tops the list of States in which livestock fairs are held. In Bombay, 30 livestock fairs are held 50 per cent of which are held in the Satara district only. In Dharwar, 5 are held and the districts of Belgaum and Bijapur account for 4 each. The chief fairs are held at Mhasa in the Thana district, at Mhaswad in the Satara district, and at Sholapur.

Frequency, Periodicity and Duration

Most of the livestock and produce fairs are held annually, though there are some fairs which are held at more frequent intervals. The largest number of fairs occurs between the months of October and May which is practically the fair season. The duration of livestock fairs varies from one day to three months. Fairs that continue for a week appear to be the most common.

Attendance

The number of people thronging these fairs varies from a few hundreds to several thousands. Persons attending fall into three categories : (1) Sellers, (2) Buyers, and (3) Brokers. Usually cultivators keep their livestock for the purpose of raising crops but cultivators in certain tracts undertake the business of buying livestock with a view to sell the same in deficit areas. There are special stock breeders like the Thakurs of Rajpurana, who raise stock and sell them in fairs and markets. In the cattle

* These Statistics relate to undivided India.

breeding areas, there is a class of petty traders who assemble livestock with a view to sell them in fairs and markets of the tract. Buyers may be classified as under : (a) cultivator-producers, (b) slaughter stock dealers, (c) urban milk dealers, and (d) other livestock traders. Cultivators usually visit the fairs and purchase the drought cattle and milch animals for their needs. The slaughter stock dealers also purchase their requirements from fairs. The Gowlis in large cities purchase their requirements of milch cattle either directly or through brokers in the fairs. In the category of other livestock traders are included itinerant traders who act both as sellers and buyers. Although direct transactions take place between buyers and sellers, sometimes the services of a broker are also employed in negotiating a transaction. A broker may act either for sellers or buyers or both. The greatest of the livestock fairs is held at Pushkara in Ajmer-Merwara and the number of persons attending is estimated to be about one lakh. The average attendance works out at about 16,000 people per fair.

Communications

Good roads are essential for the movement of cattle from one tract to another and hence their movements take place mostly by road. In this State most of the fairs are well-served by communications such as rail, road and water except a few which are located in the interior. In most of these fairs, postal and telegraphic facilities are available. In addition, in fairs like Sholapur telephonic communication is also available.

Types of Livestock handled in Fairs

Bullocks, buffaloes, cows, bulls, camels, horses, donkeys, sheep, and goats are the types of animals usually handled in fairs. Bullocks however predominate forming as much as 56% of the total number of animals assembled. The average number of livestock per fair works out at a little over 11,000.

Organisation and Control

The livestock fairs are usually organized and controlled by any of the three following agencies : (1) District Officers,

(2) Local Bodies, (3) Private agencies like the Zamindars and religious institutions under whose auspices the fairs are held. In this State, the authority to sanction a new fair vests in the District Magistrate who has powers to cancel the fair in the event of outbreak of epidemics, shortage of water, or similar other special circumstance. The local bodies also have a share in organizing and controlling these fairs.

Market Practices

The assembling of livestock continues throughout the duration of the fair. Before entry into the site, admission fee is charged in some fairs. There are no fixed hours of business and the livestock are open for sale throughout their stay there. Transactions may be made either directly between a seller and a buyer or through a broker. Prices are settled (a) under cover or (b) private treaty or (c) by exchanging animal for animal.

(a) *Under Cover* :—In this system, the purchaser or his broker clasps the hand of the seller or his broker under the cover of a cloth and indicates the price he is prepared to pay.

(b) *Private treaty* :—According to this system, buyers and sellers or their brokers announce their respective offers and higgling is usually resorted to. Earnest money is also demanded by the seller. After the price is settled, sale is registered with a deed writer. If any disputes arise in regard to any matter, they are referred to the controlling authorities of the fair for settlement. Delivery of the sold animal is made only on full payment of the price and this is done by handing over the rope of the animal to the buyer. Thereafter, the transaction becomes binding on both the parties and cannot be retracted.

Market Charges

Market charges not only vary with different animals but differ from area to area and are payable in cash. The types of market charges levied are as under :

(a) admission fee, (b) registration fee and fee on sales, (c) brokerage, and (d) miscellaneous.

(a) *Admission fee*:—In one-third of the fair held, admission fee is charged and the rate is fixed per head of animal. In the Mysore State, the rate varies from one to two annas per head, while in Madras, it is four annas per head.

(b) *Registration Fee*: After the bargain is struck, the sale has to be registered with the authorities on payment of a fee. The registration chit issued usually contains the name of the buyer and the seller, their addresses, price and description of the animal. These registration charges vary in different fairs. For example, in Mhaswad, the registration fee is levied at the rate of 2 annas per head, while at Pandharpur it is 4 annas.

(c) *Brokerage*: In some fairs, the brokers are licensed and brokerage is fixed by the fair authorities, while in others it is left to be fixed by mutual agreement between buyers and sellers.

(d) *Miscellaneous*: Discount on money or Rahadary charges, ground rent, and watching charges are included in the miscellaneous charges. Rahadary charges are levied in the Punjab. Rahadary is a chit issued by the fair authority indicating the *bona fides* of a person taking out the animals from the fair. There is a great diversity not only in the method of levying market charges in the various fairs, but the incidence also varies. Marketing charges do not include such expenses as the cost of transporting animals to the fair, terminal taxes, cost of feeding the animals and attendance during the journeys and for the duration of the fair. The total marketing charges on an animal worth Rs. 50 vary from As. 9 to Rs. 2-8-0. There is room, therefore, for reducing the marketing charges to a reasonable level by the organizing and controlling authorities with the permission of the particular department of government concerned.

How the Income derived from Market Charges is spent

In addition to the sources of income mentioned above, income is also derived by levying rent on shop sites, and in certain fairs by licensing brokers and levying pilgrim tax. Out of the income, the fair authorities arrange for the layout of the site, provide for light and water, employ registration staff, incur expenditure on sanitation and expend on advertisement charges and furniture

in the fairs. It is usually found that the fair authorities do not spend adequate money for the provision of various facilities required. For instance, in some fairs, watering arrangements are far from satisfactory and in the majority of fairs, very little money is spent on the proper layout of the fair ground and separate stalls are not provided on the sites for different kinds of animals. Invariably there is lack of shady trees and sufficient shelter for men and animals. In none of these fairs the percentage of income spent on amenities goes beyond 16. Thus there is room for spending a larger portion of income on providing the requisite amenities in the fairs.

CHAPTER III

MARKETS

As mentioned in Chapter I, markets may be classified under the three following categories: (a) Painths, Hats and Shandies. (b) wholesale markets of mandis, and (c) retail markets. Painths, Hats and Shandies are different names used to designate periodical markets held once or twice a week or even oftener. Although these words are practically synonymous, a slight distinction is sometimes observed. For instance, a Painth is a periodical market dealing more in livestock than agricultural produce, while a Hat is usually a periodical market dealing more in agricultural produce than livestock. Similarly, a Hat and a Bazar are one and the same.

Number and Distribution

In all there were 22,000 Hats Shandies in various Provinces and States in India before Partition. Over 25% of the total number was concentrated in Bengal, where they were fairly well distributed. The larger number was found in Mymensingh District. The U.P. followed Bengal closely and the two States together accounted for more than 50% of the total number of Hats in undivided India. In the Gorakhpur District, as many as 638 Hats were found. Bihar, M.P. and Assam ranked next. About 80% of the total number of hats were found in the area comprising Assam, Bengal, Bihar, U.P. and M.P. In Bihar the largest number of Hats was in the Muzaffarpur District. In the Central Provinces or Madhya Pradesh Drug had the largest number. Of all the districts in Assam, Hats were most common in Sylhet, which alone accounted for 628 out of 1,213 Hats in the State. In Bombay, the most important districts for Hats are Satara, Ahmednagar and East Khandesh Districts. In Madras, Shandies are more common in the area comprising the Districts of Malabar, Coimbatore, Salem, Trichinopoly, Madura and Ramnad. Other Provinces accounted for 579 Hats out of which as many as 533 were found in Orissa. Out of the former princely States, Hyderabad occupied the first position, having as many as 1,000 Hats.

Gwalior, Travancore, Mysore and Bhopal followed next with 300, 259, 225 and 200 Hats respectively. It is roughly estimated that 20% of the Hats deal in livestock and livestock products in addition to agricultural produce, while the rest deal in agricultural produce only.

Location

Periodical markets are usually held on pieces of open land or in groves along roadsides near the village sites. They are also held along river banks and in the compounds of temples and areas specially earmarked for the purpose by local bodies and municipalities.

Area served

The area served by a periodical market extends from 5 to 10 miles' radius or in the case of Hats a much wider area is covered. Lasalgaon, Malegaon and Kankavali Hats in the Bombay State serve an area within a radius of 60 to 70 miles.

Frequency

Hats are usually held weekly or bi-weekly. In this State, weekly Hats predominate. Daily Hats also have sprung up and they are called Bazars.

Market Days

There are no fixed days for holding a Hat but days of different Hats in a particular area are so fixed as not to clash with one another. This enables both the seller and the buyer to go round all the Hats.

Attendance

Attendance in a Hat varies with the season and prevalence of epidemics.

Communications

Hats are mostly situated in the interior of the country and they are not, therefore, served by pucca roads. Provision of good roads is, therefore, felt necessary in the case of important Hats.

Volume of Produce handled in a Hat

The amount of produce passing through a Hat varies from 1,000 maunds to 400,000 maunds. As a rule, larger quantities of agricultural produce are handled during the mid-season than in the early or late season. In addition to foodgrains, oilseeds, pulses, gur, tobacco, vegetables and fruits are sold in Hats. The type of produce sold in a Hat is usually confined to commodities produced in the surrounding tract.

Organization and Control

In the Bombay State, organization and control of most of the Hats are vested in the village officers. In some of the States, Hats are under private control. In Madhya Pradesh they are controlled partly by local bodies and are partly privately owned.

Market Practices

The hours business in Hats vary in different tracts. In Assam, they are from 8 a.m. to 2 p.m. In Madras, they are from early morning till late in the evening. In Madhya Pradesh and the Uttar Pradesh the attendance in Hats is at its peak from 2 p.m. to 5 p.m. Business is transacted between sellers and buyers direct on a cash basis and prices are quoted in local units, i.e. weights and measures that are not standardized. Variations in weights and measures are responsible for the existence of malpractices in the weighment or measurement of goods. Hence standardization of weights and measures and their periodical inspection by a State Department are an urgent necessity.

Market Charges

Market charges levied in Hats and the methods of levying them vary considerably in various Provinces and States. In Assam, there are 3 kinds of levies made : (i) charges for space occupied, (ii) charges on the sale of produce, and (iii) charges for the sweeper employed. In private Hats, charges levied are sometimes exorbitant. In Bihar, toll is charged either per stall or per unit of quantity of produce brought for sale. In certain cases rate of toll is charged per rupee on the value of produce

handled. In M.P. the levy on grain in public Hats is 2 annas per cart load, 1 anna per pack animal and half an anna per bahangi load and 3 pies per head load. In Bengal the Hat authorities charge sellers of rice, paddy, pulses at about 1 anna 6 pies to 2 annas per Hat day. In Madras, no octroi duty is levied but a small entrance fee is charged by the local bodies. Besides ground rent, stall rent is also charged according to space occupied. In the Uttar Pradesh charges levied also vary. There is plenty of room for standardizing market charges at reasonable rates with the permission of the Department of Government concerned.

Employment of Income

It is usual to find that private owners of Hats spend very little for providing trading facilities in Hats. In Hats controlled by local bodies, the amount spent is inadequate. Expenditure of income derived from market charges on such facilities and amenities as layout, levelling of the site, planting shady trees, arrangements for supply of water, proper sanitary arrangements is called for.

Mandies

The total estimated number of wholesale markets in India before Partition in the various States and Provinces was over 1,700. This number actually denotes market towns and no market places, there being more than one market place in a town. The statistics showing the distribution of Mandies before Partition were as follows :—

Uttar Pradesh	...	...	477
Madras	...	...	237
Bombay	...	...	198
Bengal	...	...	174
Punjab	...	...	157
Bihar	...	...	74
Madhya Pradesh	...	...	64
Assam	...	...	54
Orissa	...	...	30
Coorg	...	...	9
Ajmer Merwara	...	...	7
Delhi	...	...	4
Total ...			1485

Of the princely States for which information is available, Hyderabad led with 50 Mandies, Gwalior and Bhopal followed with 45 and 30 Mandies respectively.

In Bombay, Poona, Satara and Sholapur Districts led with 18, 14 and 13 Mandies respectively, while Kaira, Thana and Panch Mahals and East Khandesh Districts followed with 2 Mandies each.

Ownership

Markets are usually owned by private persons or by local bodies. In Madras the majority of markets are owned and controlled by the District Boards. In Assam, Bengal and Bihar markets are mostly privately owned. In Madhya Pradesh Mandies at the district headquarters are owned by municipalities. In the Punjab in the case of Mandies where shops are scattered in a town they are owned or rented by Adatyas. Generally Mandies where shops are concentrated at one place are either owned by municipalities or government. In the Hyderabad State all the Mandies belong to the Local Fund authorities.

Area served

Communications and transportation facilities, the nature of commodities handled and the location of the Mandi with respect to other markets largely determine the area served by wholesale markets. Wholesale markets well-connected with communications draw their supplies from an area from 10 to 20 miles' radius. Where communications are still primitive produce may be assembled from longer distances say 30 to 40 miles. The area served by a port market is generally very extensive. Regulated markets assemble produce from a wider area than unregulated ones.

Layout of Markets

As regards the layout of markets, they may be classified into two categories, viz. (1) decentralized markets, and (2) centralized markets. In the case of decentralized markets, shops or godowns of Adatyas are scattered in different parts of a town and

each of them serves as a market place. Multan in the Punjab furnishes an example of a decentralized market. Centralized markets are those in which Adayas' shops are centred in a particular locality. Sialgot, Barsi, and Belgaum are examples of centralized markets. In recent years some local bodies have built better laid-out markets with a view to provide more trading facilities. Raichur and Gulbarga may be cited as instances in this respect. The layout of fruits and vegetable markets is generally unsatisfactory, as in the case of wholesale grain markets. The layout of markets under the control of corporations or municipalities in big towns is found to be much better than that of common markets. The Crawford Market in Bombay is the best known fruit market in India. It is both a wholesale and a retail market. It may be noted in this context that the efficiency of a wholesale market depends upon the trading facilities and the conveniences it provides for the speedy fixation of prices and on the early and efficient and economic handling of goods brought into it. If the shops of traders or sellers are concentrated in towns in particular localities or are situated far away from railway stations or ports assembling and distribution charges are usually high. Owing to congestion in traffic, both buyers and sellers are put to a great amount of inconvenience. The position of decentralized markets is still worse.

Communications

Postal, telegraphic and telephonic facilities :—These are available in almost all the wholesale markets. But telephonic communications are available in some of the major markets only.

Market Intelligence

This subject will be treated in a subsequent chapter.

Commodities dealt in and the volume passing through Markets

The nature of commodities handled in a wholesale market depends firstly on the surplus of commodities locally grown and on the extent of demand for products not grown in the locality

and therefore imported from other areas to meet the requirements of the area. No record of arrivals of commodities handled is usually maintained and so no accurate information is available about the turnover of produce handled in these wholesale markets.

Seasonal Variations:—Seasons for the marketing of agricultural products in India vary according to tracts and even in the case of a particular commodity the season varies differently in different parts of the country. For instance, in Bombay the supplies of winter crops are at their peak from March to May. The movement of produce for the purpose of marketing appreciably slackens during the monsoon on account of the bad condition of roads and the possibility of goods being spoiled during transit.

Storage Facilities

A fairly large proportion of crops comes into the market immediately after the harvest and awaits distribution there for a long time. The question of providing facilities for storage of agricultural produce thus received in the market assumes importance. Agricultural products are usually stored in godowns or Kothas. A part of the agent's shop serves as a godown. Godowns with upper storeys are preferred because there is the likelihood of the stored produce being damaged in single-storeyed buildings on account of leakage of rain water through roofs, in the case of many markets suitable storage accommodation is lacking especially during certain periods of the busy season. Cutcha dug-outs plastered with mud and cow-dung in certain parts of the Punjab serve as godowns. The opening of the dug-out which measures about 2 ft. in diameter is closed with mud after filling it. Due to rise in the level of underground water they have gone out of use. Similar dug-outs are also in use in some parts of the U.P. Khattis at Muzaffarnagar which are underground reinforced concrete chambers having a storage capacity of 450 maunds of wheat each, have been recently constructed. It is claimed that these cement Khattis prevent, in a large measure, losses due to insects, rats and sub-soil water. The low storage cost in the case of cement Khattis is attributed to the complete elimination of losses in storage caused by weevils, rats, etc. It may be noted, however,

that concrete Khattis are not suitable for storing all sorts of agricultural produce as they are mainly used for storing wheat only. If they are to be used for storing all kinds of agricultural products it is desirable to construct them partly above ground and partly underground. In this State, the Port Trust at Bombay has constructed warehouses in the docks and has also provided storage accommodation at various places on the land owned by it. These warehouses have cement flooring and are roofed and closed with corrugated iron sheets. The space therein is let out to exporters and other merchants. Besides, there are two other Government-owned warehouses for storing tobacco in charge of the Bombay Excise Department under the control of the Customs Department. In the Mysore State, many municipalities possess bonded warehouses in which articles liable to octroi duty can be stored by merchants pending payment of octroi duty. The Southern Arcot Co-operative Central Government Sale Society has opened three warehouses to develop co-operative marketing of groundnut.

Market Finance

The following agencies finance the assembling and distribution of agricultural produce in the wholesale markets: (1) Adayas, (2) Shroffs, (3) Banks. (4) Grain Trade Associations, and (5) Exporters.

(1) *Adayas*: There are two kinds of Adayas, viz. (i) Cutcha, and (ii) Pucca, though some may act as both. The essential distinction between a Cutcha Adaya and a Pucca Adaya is that the Cutcha Adaya is concerned with the assembling of produce while the Pucca Adaya plays an important role in its distribution. The Cutcha Adaya sometimes advances loans to village merchants and traders on the condition that the produce be sold to him. The function of a Cutcha Adaya as a financing agency is mostly marked in the vegetable and the fruit markets. He advances large sums to contractors for buying standing crops and also to producers direct. The rate of interest charged varies usually from 6 to 12 per cent. The time for making payment for the produce purchased also varies in different places according to market custom.

(2) *Pucca Adatya* :—He acts on behalf of the out-station buyers, though some firms buy on their own account. He usually makes payment to the Cutcha Adatya for purchases made on behalf of his clients and recovers the same from them, later with interest. In the case of new clients, earnest money is demanded which serves as a security against a fall in price. Adatyas generally make advances up to 75 per cent of the value of goods pledged with them. They also discount hundis and make loans. These Adatyas have got their own capital which is supplemented, if and when necessary, by borrowings from their friends, relatives or banks. Like the Pucca Adatyas, shoffs also play an important role in the financing of internal trade in agricultural produce in India. They maintain personal contact with their clients and the system of finance followed by them is more elastic and hence they are preferred to banks.

(3) *Banks* :—Certain joint stock and co-operative banks in the country also make advances against the pledge of goods deposited with them in godowns. They advance money up to 65 to 75 per cent of the value of produce. Their rate of interest varies from 4 to 8 per cent. The banks usually insist on a margin of 25 per cent. If the price of goods held as security falls, fresh margins are called for to recoup the shortfall and if the price rises, an increase in the drawing limit is permitted if demanded. Banks finance approved merchants also by means of cash credit on which they charge generally a lower rate of interest.

(4) *Grain Trade Associations* :—Important grain trade associations having ample resources on hand grant loans to reliable parties against the goods pledged.

(5) *Exporters* :—Exporters usually provide themselves with funds by selling sterling bills of exchange to the exchange banks situated at the port headquarters of the exporting firm concerned. Upcountry buying agencies are either financed by sale of hundies locally or drafts drawn on port headquarters or by means of telegraphic transfers or through exchange banks. Sometimes Adatyas are authorized to make finance to the upcountry agencies and Adatyas are themselves reimbursed by cheques or drafts. A few big firms advance loans on the pledge of goods like banks

Mode of Payment :—Hundies are usually employed in the adjustment of accounts involving large sums. They are also utilized for obtaining credit. There are two types of hundies, viz. the darshani hundi and the mudati hundi. A darshani hundi is payable on presentation though in certain markets the custom is to allow a few days of grace. It may be purchased from a shroff and sent to the payee who discounts it with a bank or a banker through a broker or it may be drawn against a debtor and then discounted with a shroff. The rate of discount on hundies varies from half an anna to one anna per cent. A darshani hundi is exempt from stamp duty and it is freely negotiable. A mudati hundi differs from a darshani hundi in that it is payable after a specified time. There is no legal bar to the period for which a mudati hundi may be drawn but the period usually does not exceed 11 months. Like a darshani hundi it is a negotiable instrument and freely passes from hand to hand. The banks or the discount houses insist that the hundi be endorsed by a known party of financial standing before discounting it. Unlike a darshani hundi it has to be written on a stamped paper. On the due date the holder of the hundi presents it for payment to the original drawer and dishonour of the hundi on the due date is usually regarded as a serious affair indicative of insolvency on the part of the drawer. The brokerage paid on the hundi is the same as in the case of a darshani hundi. Expenses of remittances of funds vary with the means employed and amounts involved. The average cost of remittance by means of a hundi may be put at 1 anna per cent while banks charge usually from half an anna to four annas on drafts issued by them, and discount hundies at 1 to 1½% over the bank rate. The hundi discount rate charged by the shroffs varies according to the status of the borrower and may be anything up to 4 per cent above the bank rate.

Organization and Control

There is no statutory control exercised over most of these Mandis which carry on business according to market practices established by long custom. In some cases Adayas have established Panchayats to manage and control their affairs. Such

committees devote their attention mainly to problems in which commission agents and traders are interested and do not look to the interests of producers.

Persons operating in a Market

Persons functioning in the wholesale markets in India are as under :

(i) *Adatyas or Commission Agents* :—The two types of Adatyas have already been referred to. Direct negotiations in the wholesale markets are not common.

(ii) *Dalals or Brokers* :—The function of a Dalal is to bring together the buyer and the seller. He has no capital of his own to invest nor does he keep any establishment as he is usually a man of modest means. His sympathies are more with the buyer than with the producer. Another group of market functionaries is as under :—

(i) *A General Agent* :—He is a person appointed by a principal to carry on his general business.

(ii) *Particular Agents* :—He is a person employed or engaged for a particular business only, e.g. a Cutcha Adatya engaged for sale of agricultural produce.

(iii) *Factor* :—A factor is a merchantile agent entrusted with goods or documents of title to goods and empowered to dispose of such goods. He deals in his own name and is normally personally liable on his contracts except when he contracts as an agent. In contrast with a factor a broker deals on behalf of a principal and is not personally liable except when he contracts as a principal and he does not take title to the goods which he has been asked to sell.

(iv) *Tolas* :—Weighing in a wholesale market is done by a Tola who is sometimes an independent businessman himself though sometimes he may be a servant of an Adatya.

(v) *Hamals or Palledars* :—They are also sometimes independent workers. They do the cleaning and handling of produce in a market. In some cases they happen to be servants of a commission agent.

(vi) *Other Functionaries* :—There are a number of other servants of the Adatya such as sweeper, water bearer and Munim, who attend to the convenience of 'Adatya's' clients.

Market Practices

Usually produce in a market arrives in the morning and it is taken to the Adatya's shop. In the case of new-comers Adatya's touts contact sellers on the roads near octroi posts. After the produce is sold it is weighed and bagged. In the case of cotton it is taken to the factory of the Adatya and after sale takes place part payment is made. Objection is sometimes raised as regards quality and discount is claimed at such an odd hour that the seller would not be in a position to take the produce back to the village. Sometimes sales take place in a market and weighment is also done there and then the produce is carted to the factory.

(a) *Hours of Business* :—The hours of business vary in different markets. In Uttar Pradesh, Madhya Pradesh and Bombay actual trading is done in the forenoon. Weighment, deliveries and account occupy the rest of the day.

(b) *Methods of Sale* :—The following three methods of sale are employed :

(i) *Sale under cover* :—The system of sales under cover is known as the Hatha. In this system prices are conveyed by the buyer to the agent of the seller under cover of cloth. It is usually done by pressing the requisite number of fingers. Thus the different offers made by different buyers are not known to one another.

(ii) *Auction System* :—Buyers gather round the heap of produce and the highest bid is accepted. The broker goes on shouting the higher bid.

(iii) *Open Bid or Private Treaty* :—In this system rates are settled openly and buyers go to the shop of the Adatya and give their offers. The Adatya strikes the bargain if he finds that the offers are acceptable.

Each of the above system of sale has its own merits and demerits. It is claimed for the system of sale under cover that it stimulates competition by buyers as buyers generally remain ignorant of the prices offered by different parties and this helps in securing the maximum prices whereas in the

auction system the buyer raises the bid gradually and might secure the produce at a lower rate. In the case of auction system the seller is in a position to follow the course of prices offered of which he remains ignorant under the cover system. The scope for malpractices in the case of cover sales is great; similar is the case when the produce is sold on 'Dara' basis. According to this system different heaps of produce are sold at a flat rate, in spite of their differences in quality. Usually the Adatya pays different sellers according to the quality of the produce. Still the system lends itself to favouritism being shown to some sellers at the expense of others; even the Adatya himself might pocket some money in the process.

(c) *Basis of Sale* :—The basis of sale for certain commodities differs in different markets. For instance, wheat may be sold either on clean basis or on the basis of deduction known as Karda.

Methods of Sampling and Analysis

In the case of bulked produce samples are taken out at different places from various depths by inserting the arm as far as it can go and in the case of bagged produce samples are generally drawn by a hollow spear known as Parkhi Bona or Bamboo. The size of the sample varies in different places. In this State, the size of the samples is not less than 140 tolas. In the case of Kapas where prices are fixed on the basis of ginning percentage fairly large quantities of Kapas are taken by buyers without making payment. The bulk of the produce handled is not subjected to any regular analysis for determination of quality. Only visual tests are considered sufficient and as a result the amount of refraction present in a consignment tends to be overestimated. In view of the different methods employed in different markets in drawing samples and in analysing them it seems desirable that the method of sampling and analysis be standardized in order to give comparable results of analysis.

Settlement of Disputes

As already mentioned earlier no suitable arrangements exist for the settlement of disputes as Panchayats or Committees mainly confine their attention to disputes amongst traders. In the

case of futures trade, the bye-laws of the various trade associations provide the requisite machinery for arbitration.

Weights and Measures*

There is lack of uniformity in regard to weights and measures used in different parts of the country.

(a) *Weights and Measures in Current Use*:—The unit of weight common to India is the railway maund—82.2857 lbs. It is also known as the Bengal maund. It is based on the tola which is equivalent to the weight of a rupee, i.e. 180 grains. It is in common use in the Punjab, the U.P., Bombay and Sind. The maund and its sub-multiples are known as pucca weights as distinguished from non-standard weights known as cutcha weights. Cutcha weights differ from tract to tract. The position in respect of weights is more confusing as variations are found to exist in the same market for different commodities.

(b) *Measures*:—The position in regard to measures is still worse. The drawback of the measure system is that it cannot be expressed in definite terms of weight as the latter varies according to the specific gravity of grain.

(c) *Verification of Weights and Measures*:—The use of standard weights and measures has been enjoined not only by local governments but is also prescribed by municipalities and local boards. Yet they have not remained operative except in a few markets. This points to the necessity of verification of weights and measures by the public authority. The Bombay Weights and Measures Act, 1932, enjoins the adoption of standard weights and measures and their periodical verification. According to the Standards of Weight Act, 1939, passed by the Government of India the following are the standard weights:—

- (i) Standard Tola—180 standard grains.
- (ii) Standard Seer—80 standard tolas.
- (iii) Standard Maund—40 standard seers.
- (iv) Standard Pound—7.000 standard grains.
- (v) Standard Ounce— $1/16$ of standard pound.
- (vi) Standard Hundredweight—112 standard pounds.
- (vii) Standard Ton—2,240 standard pounds.

* The Metric System of weights is awaiting introduction before long.

Market Charges

Market charges may be classified under the main heads as under:—

(a) Taxes and tolls. (b) Adat—commission. (c) Dalali—brokerage. (d) Palledary—Handling charges. (e) Tulai—Weighment charges. (f) Charges for other services. (g) Dharmadai and Goshala. (h) Karda—quality allowance, and (i) Miscellaneous.

Taxes and Tolls include octroi or terminal taxes charged by municipalities and tolls levied by the local boards. Under charges for other services contributions made to Adatya's servants are included; Goshala is a charge for maintaining a Panjrapol; Karda is an allowance claimed by buyers for dirt. Dhalta is an allowance made to the buyer to compensate for draftage. It is a weighment allowance made in favour of the buyer. Under miscellaneous charges may be included such charges as Notebutta and Mudat. The former is a charge made for giving coins instead of currency notes while the latter is a sort of compensation to the Adatya for making immediate payment of sale proceeds. Usually a period of credit is allowed and thus by paying cash down, loss of interest is caused to the Adatya. To compensate him for the loss of interest this charge is made. Some of these charges levied are unjustifiable or are unfair to the producer. For instance, the charges on account of charity are made for purposes having no bearing on the marketing of produce. Besides, there is no knowing whether the deductions are utilized actually for the purpose for which they are made. Notebutta is clearly unjustifiable as currency notes are at present freely convertible into coins which are also readily available. This was once a war-time practice when coins were scarce but it still persists today in some markets. A striking feature of these wholesale markets is the enormous variation in the incidence of marketing charges; incidence of taxes and tolls is found to be nil in certain markets and in others it is found to be as high as Rs. 4-8-0 per cent. Similarly Adat and Brokerage vary in different markets. Karda deductions also likewise vary. Besides, there is no uniformity as to which of the charges are to be paid by the seller and which by the buyer. On the top of all, there is no uniformity also in the method of levying these

charges. From what has been stated previously it will be apparent that there is a great variation in market practices and charges with the result that the interests of the seller continue to be ignored. Market charges also are in some cases excessive and no arrangements for settlement of disputes exist and a seller has no voice in the management of a market. All this points to the necessity of regulating markets by law and setting up market committees on which all the interests concerned can be represented.

Employment of Revenue derived from Market Charges in providing Trading Facilities

In the case of privately-owned markets very little is spent towards the improvement of the market by owners who realize the income. Even the municipalities which derive a substantial income from octroi and terminal taxes do not spend sufficient money on the improvement of markets. It is desirable, therefore, that a substantial portion of income derived from a market should be expended on the provision of market facilities.

(C) Retail Markets and Specialized Bazaars

Number and location

The retailing of produce takes place in regular shops which are either scattered all over a town or a city or concentrated in particular localities. If shops retailing similar commodities are centred in one particular street, the bazaar becomes known for that particular commodity or those commodities. The number of such retail markets in a town or a city varies considerably from State to State.

Ownership

Individual retail shops are either owned by retailers themselves or rented from private individuals. Most of the shops located in bazars are privately-owned. Municipalities or corporations also own centralized retail markets, e.g. Crawford Market, Bombay. A few of such centralized retail markets are owned by Government also, e.g. the Worli Market, Bombay.

Area

Retail shops serve the needs of inhabitants resident in a particular locality and also cater for the needs of surrounding villages.

Types of Shops and Godowns and Layout and Arrangements for Retail Markets

Retail shops located in villages are usually cutcha buildings while those set up in towns and cities are pucca buildings. Small shops usually consist of one room each while the bigger ones may have two or more rooms each. The front room is used for exhibition of goods while the back room may either serve as a godown or as a residential house. In the case of centralized retail markets owned by a private person or built by municipalities all shops are centred within the market buildings. The layout of the various centralized retail markets varies in each case and in some of them separate sections for particular commodities are provided. The layout should be such as to ensure sanitary conditions at a high level in the interests of public health.

Communications

In towns and cities retail bazars and markets are located along with roads and means of conveyance are easily available. In the case of big retailers dealing in groceries and general provisions, telephonic connections in addition to usual postal and telegraphic facilities are also available.

Nature and Amount of Commodities dealt in

Retailers usually confine their attention only to particular commodities they deal in. For instance, a vendor of fruit sells fruits only and a Halwai sells milk and milk products only. In meat stalls meat is only sold. In the grocery trade articles such as grain and pulses are also combined. The turnover of retail shops varies enormously depending upon the importance of each article dealt in.

Storage

Retailers usually do not require storage facilities as they stock only small quantities of articles required for immediate disposal. The question of storage, therefore, does not arise in the case of perishable articles like vegetables, meat, etc. In the vegetable

municipal markets in Bombay City small godown with perforated doors for the circulation of air with a view to reducing deterioration or damage are provided by the municipality.

Sorting, Grading and Mixing or Adulteration

Usually retailers sort out products into two or three lots as soon as they receive bigger consignments from wholesalers according to the requirements of consumers. Some retailers resort to mixing or adulteration as well, if and when such adulteration is likely to go undetected. It is desirable that the Food Adulteration Acts and Regulations should be enforced more rigidly.

Organization and Control

There is no organization among retailers and each one is free to carry on his trade as best as he can. In the markets owned by municipalities control is exercised by a sub-committee of members through a market superintendent or an executive officer whose duties are: (1) to lease out stalls, (2) to check weights and measures, (3) to attend to the sanitation of the market, (4) to supervise the collection of market dues, and (5) to settle disputes. The shopkeepers and stallholders in the municipal markets are granted vendors' licences. Municipalities provide facilities to visitors also. For instance, licensed hamals are made available for carrying things purchased.

Usually bargains are struck in the retail market after a good deal of higgling. Persons buying on credit are charged higher prices. Usually business is transacted on a cash basis. There is no check over prices charged by retailers. In some of the important retail markets prices are fixed by the market superintendent.

Market Intelligence

Normally retailers are not in need of market intelligence service unlike in the case of wholesalers and commission merchants. They get information from wholesalers and seek information about the prices of each commodity when the stock in the shop is about to be exhausted. In cities like Bombay and Poona some of the retailers maintain notice-boards on which retail prices of commodities which are in general demand are quoted.

Weights and Measures

Weights and measures used in retail trade are sub-multiples of those used in the wholesale trade.

Methods of Handling and Distribution of Produce

Methods of handling and distribution vary in the case of different articles. In the case of milk, consumers obtain their supplies in any one of the following ways:—

- (i) getting the animals milked under one's supervision ;
- (ii) delivery of milk at consumer's residence ;
- (iii) purchasing at the depot of Halwais or milk vendors ;
and
- (iv) drinking at the shops.

Some of the municipalities have provided a few stalls for the sale of milk in their markets.

Market Charges

The market charges levied in retail markets are classified as under:—

- (i) Terminal tax or octroi charges.
- (ii) Stall and shop rents.

As the retailer buys his requirements from a local wholesaler he is not required to pay terminal tax or octroi charges as they are paid at the time when the produce enters the town. In the case of vegetables, etc. which enter the retail market direct, they have to bear the necessary terminal and octroi taxes. Rents of various shops differ considerably depending upon the situation of the shop, its size, and the nature of commodities handled. Besides octroi and terminal taxes, an additional charge such as Salami has also to be paid before taking over the stalls on a year's lease. Salami is a lump sum payment that is required to be made in Calcutta municipal markets. In Bombay municipal markets the highest bidder has to pay Re. 1 as licence fee per stall per annum in addition to stallage dues.

CHAPTER IV

PRODUCE EXCHANGES

A. General

PRODUCE EXCHANGES IN INDIA

The working of Produce Exchanges in foreign countries, particularly in U.S.A. has been described at length in volume I of this book. It is proposed to treat the subject of Produce Exchanges in India in this and subsequent chapters.

B. Growth and Development of 'Futures' Trading Associations in India

Conditions created as a result of the War of 1914-18 have been responsible for the growth and development of 'Futures' trade in India. Until a few years after the war the export trade in grains, oilseeds, jute and cotton was largely in the hands of few large international firms whose purchases had the effect of co-ordinating the prices in different markets. During the last War trade was disorganized and the resultant uncertainties led to a wave of speculation in the country which resulted in many failures. In the absence of organized 'Future' trading associations, with definite rules and regulations, genuine traders suffered heavily. Attempts were therefore made to establish 'Futures' trade associations in India with varying success prior to 1926. The East India Jute Association was established in Calcutta in 1927 and now controls the jute 'Futures' market in India. Several cotton trade associations previously working in Bombay were finally replaced by the East Indian Cotton Association which was constituted by statutory authority in 1922. It was soon followed by the formation of a second association under the title of Shri Mahajan Association. During 1932-33 more than 60 'Futures' associations in the Punjab were registered having as their main business trading in 'Wheat Futures' although provision in their rules was made for trading in other commodities as well. Many of these associations have at present been found to be in a moribund condition and have suffered from financial instability.

C. Number and Location*

There are over 180 Futures Trading associations in India. Of these the majority are located in the Punjab. The U.P. has 39 associations. In Bombay there are 12 associations of which 8 are located in the Bombay City only. The excessive number of 'Futures' trade associations particularly in the Punjab is due to the fact that most of the associations there work on a profit-sharing basis. In contrast with the large number working in India, the U.S.A. has only 17 commodity exchanges while the United Kingdom has less than half a dozen.

D. Constitution and Capital

As already mentioned there are 2 classes of Futures Trading associations, viz. (1) profit sharing, and (2) non-profit-sharing. Almost all the non-profit-sharing associations are located at the ports and the profit-sharing associations are found upcountry only, e.g., The Indian Exchange, Ltd., Amritsar. The amount of share capital and the value of each share of these associations vary considerably.

E. Aims and Objects

Some of the objects of a profit-sharing association are:—

- (1) To carry on the business of banking, or of financing the business of merchants and commission agents dealing in any commodity or article.
- (2) To buy, acquire, deal with the business of any company, firm or person carrying on business.
- (3) To erect or construct or repair buildings for the purpose of the company.
- (4) To draw, accept, endorse bills of exchange, pro-notes, and other negotiable instruments, borrow loans and to lend or invest money of the company.
- (5) To enter into arrangements for sharing profits.

In some cases advances upto 70 to 75 per cent of the value of goods pledged are made. The objects of a non-profit-sharing association have already been dealt with in Chapter VIII in Part I of this book.

* These Statistics relate to undivided India.

F. Management and Administration

The management of both classes of associations is vested in a board of directors, the composition of which varies with different institutions.

G. Methods of Business

Only a few exchanges possess trading halls. The halls are known as rings or pits.

(a) *Brokers*.—Brokers play a large part in the 'Futures' market. They are licensed usually by the respective associations and are required to deposit some form of security—cash or personal.

(b) *Hours of Trading*.—The hours of trading in 'Futures' markets are fixed according to the rules of each association. Sometimes contracts made outside official working hours are registered as having been made on the previous or the following day if rules prescribing the hours of business exist.

(c) *Commodities traded in*.—Most of the produce exchanges deal in more than one commodity. The commodities dealt in are included in the contract form. All the commodities included, however, are not traded in. For example, in the Indian Exchange Ltd., Amritsar, actual trading takes place in wheat and gram only. At Bombay the most important Futures market is concerned with cotton, though considerable business is transacted in wheat, linseed, groundnuts and castor seeds.

(d) *Registration of Contracts*.—The system of registration of a transaction in the majority of up-country exchanges is on the following lines. After a transaction takes place the brokers enter it into their rough note-books. From these rough note-books entries are made into the book of printed forms supplied by the association. These forms are generally in triplicate. One of the three copies made is handed over to the seller and another to the buyer's broker by the seller's broker and the third copy is being retained for the record of the broker. The members of the Futures trading association are required to send to the office of the association each day by a certain fixed time, the forms giving the list of their transactions. These forms are known as

position forms. They are sent to the office of the association along with broker's slips. After verification they are registered with the association.

(e) *Margin Money* :—For every contract registered with most of the exchanges a member is required to deposit a sum of money known as the margin money to serve as a security against any losses arising on account of fluctuations in prices. The amount of margin money demanded varies considerably in different exchanges. In the case of wheat the margin money provided varies from As. 8 to Rs. 4 per bag. Margin money is deposited at the time of the registration of a contract. If a member has a less safe margin he is called upon to deposit more money and if he has more margin money than is necessary he is asked to withdraw the surplus.

(f) *Units of Trading* :—The minimum units of trading vary considerably from 125 maunds to 680 maunds at Karachi and Hapur markets. The normal unit of trading for cotton in Bombay is now 50 bales as against 10 bales fixed in the past by the East India Cotton Association.

(g) *Months of Delivery and Periods of Settlement* :—‘Futures’ contract are generally made in respect of certain months and are known by that particular month. Months of delivery in which ‘Futures’ contracts are traded in vary widely in the same commodity. Delivery months are named according to the English calendar at the ports and according to Vikram Samvat in the up-country markets of Northern India. Periodical settlements between the rates of outstanding contracts and the current rates are made usually weekly or fortnightly on certain fixed days. During the delivery months, all the associations have fixed periods in which delivery may be tendered or demanded. This tender takes place usually during the fortnight immediately preceding the due date of the contract in most markets. In some exchanges the seller has a prior privilege of asking the buyer to take delivery by means of a delivery order. The privilege is exercised during a particular period after which the buyer can demand the delivery by means of a demand order. Both delivery and demand orders are exchanged through the association which notifies the buyer and the seller

to take and give delivery. The associations levy certain charges for this service in the form of commission and charity. The incidence and the method of levy differ widely in different exchanges.

(h) *Futures Contract Forms* :—Besides the terms and conditions referred to in the foregoing paragraphs, 'Futures' contracts are also governed by the terms and conditions relating to the basis of refraction in the produce tenderable and the scales of allowances in the event of refraction exceeding the free tolerance limits. The procedure for arbitration and the charges payable are also laid down. There is a good deal of variation in the refraction and the scale of allowances prescribed by different exchanges. For example, at Karachi in the case of wheat dirt was allowed upto 3 per cent while at Bombay no such allowance is given. In case a particular refraction exceeds a certain specified limit, the buyer is at liberty to reject the produce. There is also a good deal of variation found in the rejection limits also. At Lyallpur and Gojra, wheat having more than 2 per cent of dirt is tenderable but at Bombay there is no specified limit fixed for rejection. Further, barley and other food-grains admixture is tolerated from 2 per cent to 6 per cent. The rejection limit in the case of admixture also varies from 4 per cent to 8 per cent. Similarly, the permissible content of damaged grain varies considerably. At Jaranwala, nothing is allowed free and at Gojra 1 per cent is tolerated. The rejection limit also, varies from $1\frac{1}{2}\%$ to 3%. Similar variations exist in the case of shrivelled grains also. "If a refraction exceeds the free tolerance limit but is within the rejection limit the buyer accepts the produce subject to certain deductions for the excess content. The rates for these deductions are generally uniform for dirt, barley and damaged wheat at full value for dirt contained, at half for barley and damaged wheat contained but for shrivelled grains it varies from a quarter to half the value of the sound wheat. The deductions on account of weevilled wheat are made at quarter to half the value of the sound grains though in certain cases they are treated as being of no value at all". The definitions of the terms damaged and touched grains are also not standardized. The total of all refractions allowed free varies considerably, the

range of variation being from 7 to 21 per cent apart from the variation in the permissible limits for tolerance for admixture of red wheat in white wheat. In the case of red wheat tolerance limit varies from 14 to 50 per cent. The deductions for extra content over the free tolerance limit are made at varying rates and in a different manner. The terms of contract may be either mutual or non-mutual. In the former case if the produce or grain delivered is superior to the basis the seller is entitled to a premium while in the latter he gets nothing extra. In the case of dirt content the terms are generally mutual, though in certain cases non-mutual terms are also in vogue. High non-mutual tolerance limits not only stand in the way of improvement of the quality of agricultural produce but also offer an inducement for adulteration. The variations in the refraction basis from one centre to another make the prices prevailing in those markets uncomparable and put an obstacle in the way of internal trading. Uniformity as regards the basis of refraction and other terms and conditions of contracts is desirable. With a view to bring about the requisite uniformity in the contract terms a small conference of the representatives of the grain merchants' associations, seed traders association, and the Marwari Chamber of Commerce was held at the instance of the Central Agricultural Marketing Department and the suggestions made by this Conference were circulated amongst associations, mills and Chambers of Commerce. From the replies received it was found that amendments suggested to the contract form did not find favour in respect of tolerance limits, rejection, etc. In the circumstances, the Central Agricultural Marketing Department has advised that in the case of standard contract for wheat 25 tons be adopted as an alternative to 500 maunds as the minimum unit of a trading transaction and that the cwt. should be adopted as an alternative to the maund as the minimum unit of quotation. As regards linseed, the Marwari Chamber of Commerce operated the standard contract for some time. Recently changes have been proposed both in the minimum unit of trading for Futures transactions and the unit of quotation on the lines of the standard contract for wheat. From the details given above it will be clear that without statutory backing to the standard contract form it is difficult to secure its adoption by the trade, as the

attempts at standardization in respect of wheat, linseed and groundnuts have so far met with limited response. The chief difficulty may in this respect be attributed to the excessive number of produce exchanges in India.

The position is now expected to improve, as under the provisions of the Forward Contracts Regulation Act, 1952, the Central Government has taken power to direct a recognized Association to make rules or bye-laws for the regulation and control of forward contracts. Such bye-laws may also provide for the terms, conditions and the incidents of contract including the prescription of margin requirements, if any, and conditions relating thereto and they may prescribe the forms of contract in writing, and provide for regulating the entering into, making performance, recession and termination of contracts including contracts between members of a commission agent and his constituent or between a broker and his constituent or between a member of the recognized association and a person who is not a member and the consequences of default or insolvency on the part of a seller or a buyer or an intermediary and the consequences of a breach or omission by seller or buyer and the responsibility of commission agents and brokers who are not parties to such contracts.

(i) *The Volume of Trade and the Extent to which Produce is actually delivered in Settlement of Futures Contracts* :—In most of the upcountry exchanges each transaction is recorded while in the case of exchanges at Bombay and Calcutta individual contracts are not recorded. This is because in the former, a registration fee is charged for each contract while in the latter a fee is charged on delivery orders. The volume of trading can therefore be ascertained in the case of former associations while in the latter case no exact idea can be gathered about the total turnover. Taking together the operations of both the registered and unregistered associations it is roughly estimated that the total volume of 'Futures' trading in wheat is in neighbourhood of 70 million tons. Taking the average Indian wheat crop to be about 10 million tons a year, the amount of wheat traded in, in a Futures market, is 6 to 7 times greater than the total amount of annual

production. Similarly, in the case of linseed the volume of Futures trading is 2 to 4 times greater than the size of the annual crop. Thus it is not possible to liquidate all the 'Futures' transactions by actual deliveries of produce. The great majority of Futures transactions are offset or liquidated by the purchase or sale of Futures transaction of an opposite nature for identical quantities before the actual date of their maturity. Thus an insignificant proportion of transactions remains to be settled by means of actual delivery.

*Appendices :—*Forms of standard contracts for Linseed, Groundnut and Wheat are appended herewith ; these are taken from the reports on the marketing of respective commodities issued by the Directorate of Marketing and Inspections, Delhi.

Appendix (A)

Terms of All-India Standard Contract for Linseed*

Types :—The Standard Contract terms shall apply to two types, viz., 'Bold' and 'Small' Linseed.

Bold Linseed :—Basis 125 grains per gramme with mutual allowances to buyer or seller respectively, for every grain more or less than 125 grains per gramme at 0.15 per cent of the contract price with a maximum allowance of 3 per cent to the buyer and 1.5 per cent to the seller. Buyer shall have the option to reject if the tender contains more than 145 grains per gramme.

Small Linseed :—Basis 160 grains per gramme with mutual allowances to buyer or seller respectively for every grain more or less than 160 grains per gramme at 0.15 per cent of the contract price with a maximum allowance of 4.5 per cent of the contract price to the buyer and 2.25 per cent to the seller.

Refraction basis % ... 4 per cent with mutual allowances up to 9 per cent. Over 9 per cent cleaning charges to be paid by seller at Rs. 3-8-0 per 100 bags plus allowance at full value.

Foreign matter, i.e. dirt, dead seeds and all oleaginous impurities

To be treated as dirt, i.e., valueless and included in refraction.

Other oilseeds (oleaginous impurities)

Oilseeds other than linseed (except castor seed) to be reckoned as half dirt up to 2 per cent and full dirt over 2 per cent. Castor seed to be treated as dirt.

Damaged seeds (externally and internally discoloured)

Up to 6 per cent to be reckoned as half dirt, over 6 per cent to 8 per cent at three-fourths dirt and over 8 per cent as full dirt.

* For subsequent amendments please see page 75 of the report on the marketing of linseed.

Slightly damaged or touched seeds (externally discoloured)	1 per cent free. Any excess to be reckoned as one-fourth dirt.
Unit of quotation	Per maund of 82-2/7 lb.
Bags	New B. Twill bags (2½ lb.).
Minimum unit of transactions for "Futures"	500 maunds. (Except for Calcutta where the minimum unit is 250 maunds).
Delivery months for "Futures" transactions	May and September.
% 'Refraction includes dirt and that proportion of other oilseeds and damaged and slightly damaged seeds, which is treated as dirt.	

Appendix (B)

Terms of Standard Contract for Groundnuts (Kernels for Crushing)

I. *Types.*

Standard contract terms for groundnuts shall apply to the following six types :—

1. 'Khandesh' Consisting of small round kernels grown in East and West Khandesh Districts.
2. 'Peanuts' Consisting of small round kernels grown in any part of India other than East and West Khandesh Districts.
3. 'Bold' Consisting of large long kernels grown in any part of India other than Kathiawar (Karad included in Bold).
4. 'Kathiawar Bold' or Superior Bold Consisting of large long kernels grown in Kathiawar.
5. 'Coromandel' Consisting of medium long kernels.
6. 'Red Natal' Consisting of round thick red kernels.
7. Madras State is concerned with only three types.

(i) 'Khandesh quality'—Bunch quality commercially known as peanuts.

(ii) 'Red Natal'—A variety of peanuts with reddish seed coat, cultivated mostly in Pollachi Taluka and parts of Madura District bordering the Western Ghats, also known as Pollachi Red.

(iii) 'Coromandel'—Spreading variety known as Mauritius.

II. *Description.*

The kernels shall be fair average quality of the season, true to type.

III. *Condition.*

The groundnuts shall be in a thoroughly dry condition. Goods showing signs of moisture shall be dried and the loss in weight and expense incurred in drying shall be borne by the seller.

When the driage cannot be amicably settled between the buyer and the seller, the following procedure shall be adopted :—

A representative sample of not less than 10 per cent of the kernels shall be exposed to the sun till it is dry. The loss in weight shall be borne by the sellers and when the loss in weight exceeds $1\frac{1}{4}$ per cent an additional reconditioning charge at Rs. 3-8-0 per 100 bags shall also be payable by sellers.

Note.—No reconditioning charge will be imposed when the loss in driage is $1\frac{1}{4}$ per cent or less, but the loss in weight will be charged irrespective of this limit.

IV. *Refraction.**

Basis 4 per cent with mutual allowances. Over 4 to 8 per cent proportionate allowance at full value to buyer. Over 8 per cent proportionate allowances at full value plus cleaning charges at Rs. 3/- per 100 bags.

Nuts-in-shell	Nothing free. Up to 10 per cent by weight of nuts-in-shell, the amount of
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shell present shall be calculated and reckoned as dirt. Excess over 10 per cent up to 15 per cent by weight of nuts-in shell, 1-1/2 times the weight of the shell shall be reckoned as dirt. Over 15 per cent rejection at buyer's option.

Damaged kernels** 2 per cent free. Over 2 per cent to 4 per cent the whole to be reckoned as one-fourth dirt and over 4 per cent to 10 per cent the whole to be reckoned as half dirt. Over 10 per cent rejection at buyer's option.

Splits† 25 per cent free. Excess over 25 per cent to be reckoned as 1/16 dirt.

Broken kernels†† 10 per cent free. Excess over 10 per cent to be reckoned as one-eighth dirt.

Nooks@ 5 per cent free. Excess over 5 per cent up to 10 per cent to be reckoned as one-fourth dirt. Over 10 per cent rejection at buyer's option.

Shrivelled kernels (Dead seeds) 2 per cent free. Excess over 2 per cent to be reckoned as one-fourth dirt.

Admixture of different types :

'Red Natal in Khandesh quality' 5 per cent free. Excess over 5 per cent up to 10 per cent to be reckoned as one-eighth dirt. Over 10 per cent rejection at buyer's option.

'Red Natal in other quality' 1 per cent free. Excess over 1 per cent up to 5 per cent to be reckoned as one-eighth dirt. Over 5 per cent rejection at buyer's option.

Any type (except Red Natal) 5 per cent free. Excess over 5 per cent up to 10 per cent to be reckoned as one-eighth dirt. Over 30 per cent rejection at buyer's option.

Presence of castor Seed	Nothing free. The presence of traces of castor seed or husk will give the buyer the option to clean at seller's expense subject to a maximum cleaning charge for handpicking at 2 as. per bag. Expenses for cleaning to be charged only once in respect of any one lot, although cleaning may be necessary on various accounts, viz., condition, refraction and presence of castor seeds).
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Rejection conditions.

- (a) When nuts-in-shell exceed 15 per cent.
- (b) When damaged kernels exceed 10 per cent.
- (c) When nooks exceed 10 per cent.
- (d) When the total of splits, broken kernels and nooks exceeds 50 per cent.
- (e) When the admixture of Red Natal exceeds 10 per cent in Khandesh quality or 5 per cent in any other type or when the admixture of any type other than Red Natal in any other type exceeds 10 per cent.

V. *Miscellaneous.*

Unit of quotation	Maund (82-2/7 lb.), cwt. or a candy of 5 cwt.
Month of delivery	February, March, May, June, August and September.
Minimum unit of transaction for "Futures".	500 maunds or 25 tons.
Gunnies	New "B. Twill" bags of 44" × 26-1/2", weighing 2½ lb. (If in other bags, buyers have the option to reject or accept with allowance).

Note.—The reconditioning and cleaning charges were raised by the Madras exporters (in view of increased labour charges) under :—

	Reconditioning charges (per 100 bags)	Cleaning charges (per 100 bags)
from 21-10-1942	4- 8-0	4-0-0
from 16-10-1948	5-12-0	5-4-0
from 1- 1-1947	6- 8-0	6-0-0

*Refraction includes dirt, stones, shell, other seeds, foreign matter plus such proportions of nuts-in-shell, damaged kernels, splits, broken kernels, nooks and shrivelled kernels as are reckoned as 'dirt'.

**Damaged includes kernels internally damaged and slightly damaged.

†Kernels broken lengthwise in two halves only.

††Kernels smaller than splits but bigger than nooks.

@Pieces $1/16$ th or less than $1/16$ th of a kernel.

Appendix (C)

Wheat Contract

Delivery Terms

Bombay, 19 .

No.

Broker & Co.

Messrs.

Bombay.

Dear Sirs,

We have this day bought from you.....

..... ^{bags} only 1 per cent more or less of wheat
 tons

Karachi/Bangla 70 per cent white 30 per cent red crops.

Pissi % soft white and % soft red

Allowance will be charged for katha over 5%.

Fair average quality of the season,
at Rs.and one dokda dharmada per cwt. net
weight free Railway Station, Bombay, or delivered at buyer's
godown.

Bagging ... Goods shall be delivered in new Calcutta
No. 2 Twills or heavy C bags, weighing not
less than 2-1/8 lb. In the case of Godown
delivery, bagging shall be same as in the
case of Railway Delivery Terms.

Delivery ————— Sellers' Option. Buyers
shall not be obliged to accept tenders of
less than 100 bags at a time.

Buyers shall have the option to refuse Rail-
way Receipt if not tendered 9 days before
the due date of the contract.

In the event of this contract being for more
than 50 tons each 50 tons to be regarded as
a separate Contract.

Refraction Dirt ——— % and Barley ——— % ———
reciprocal.

For Bombay qualities Dirt 4 per cent.

Cawnpore and Delhi Dirt 3 per cent and
Barley and Gram 3 per cent.

Karachi Bangla Dirt 1-1/2% and Barley
2%.

Payment Buyers shall pay 90 per cent against Rail-
way receipt or against delivery receipt
from buyers' godown. But if sea-borne
goods, buyers shall have the option to pay
90 per cent against receipts of goods.

Brokerage ... 1/2 per cent to be paid by sellers.

For other conditions see below ;

Yours faithfully,

CONDITIONS

1. All disputes, regarding Surveys on weight refraction, quality and bagging arising out of this contract, shall be submitted to arbitration in accordance with the rules of arbitration, agreed upon between the Grain Merchants Association and the European Exporters on the 1st November, 1912.

2. If sellers have received an advance of 90 per cent, weight shall be fixed upon the average weight of the sample bags, consisting of 10 per cent of the number of bags of each tender, which shall be weighed in the presence of sellers.

2 (a) If sellers have not received an advance of 90 per cent, buyers shall be obliged to keep the whole tender intact and sellers shall have the option to have the whole lot weighed in their presence. In the case of godown delivery, however, sellers shall give written intimation at the time of delivering the goods whether they wish to draw an advance of 90 per cent or not.

3. The sample for refraction and quality shall be drawn out of 10 bags only. If advance has been received by sellers, these 10 bags shall be taken out of the sample bags, consisting of 10 per cent of the number of bags of each tender. If advance of 90 per cent has not been received by sellers and provided that in case of godown delivery notice has been given by sellers as per clause 2(a), these 10 bags shall be taken out of the whole tender.

4. Cleaning charges of Rs. 3-8-0 per 100 bags shall be paid by sellers if percentage of refraction exceeds 4 per cent—the percentage of dirt stipulated in the contract.

5. In the case of godown delivery, buyers shall pay cartage at the rate of ten annas per ton, if the goods have been delivered at any godown within B ward limits of the Bombay Municipality or fifteen annas per ton, if goods have been delivered at any godown outside the B ward limits of the Bombay Municipality except Sewri.

6. Buyers shall pay the balance due to sellers only on the latter producing the receipt or receipts for the contribution to the delivery Charity Fund.

7. *Refraction.*—Dirt, oilseeds and other admixture including foodstuffs except gram shall go as dirt.

7a. Barley up to 5 per cent only (in Cawnpore, Kathras, Karachi Bangla wheat) over and above that stipulated in the body of the contract shall be worth $\frac{1}{2}$ the contract price.

7b. Weevilled grains will be taken @ $\frac{1}{4}$ in dirt but in the old crop wheat delivered from 1st August up to end of season, weevilled up to 1 per cent will pass free.

8. *Quality*.—(a) Damaged grains shall be worth half the contract price; (b) slightly damaged grains shall be worth $\frac{3}{4}$ ths of the contract price.

9. Buyers shall have the option to reject a tender on which a quality allowance of 4 per cent or over has been awarded, or if the goods have been water damaged.

For Pissi wheat from stations on B.N. Railway, meter gauge line, if contracted for and if the quality turns out below 60/40, half an anna extra quality allowance over and above the usual allowance will be charged. Also the buyers shall have the option to reject, if the quality turns out below 40/60.

Appendix (D)

Calcutta Grain, Oilseed & Rice Association—Standard Form
of Contract—July 1947.

BOUGHT NOTE

Contract No. Calcutta.....19

To,

Messrs.

Dear Sirs,

We have this day BOUGHT from you the following goods, viz.,
Quantity tons only.
... .. average quality of
the season at the time of delivery @ Rs.
..... annas pies only per Bazar Maund
including Gunnies.

Delivery

Sellers to tender the goods from Kantapukar and Buyers to take delivery of same.

Samples to be drawn by bonah.

1. To be delivered in dry, sound and merchantable condition in single new 2 lb. B. T. will bags.

2. If any parcel bears other shipping marks than the buyers, buyers to have the option of re-bagging and/or remarking same, charging sellers with all expenses and any demurrage that may be incurred or of rejecting the parcel unless sellers supply new bags and pay marking charges.

3. If goods packed in any bags other than those contracted for, or if any bags unfit for shipment are tendered, buyers to have the option of removing and re-bagging at sellers' expense or of rejecting the parcel or of charging for the difference in the value of the bags, but sellers to have the option of marking a fresh tender in terms of contract.

4. Goods to be packed in single bags properly sewn with strong twine, otherwise buyers to have the option of re-sewing the bags and charging sellers at the rate of one rupee per hundred bags.

5. Each bag to contain bazar maunds net or any quantity buyers may require for which only payment is to be made.

6. The goods to be despatched to Kantapukar and to be rendered available for delivery there during the day-time under the ordinary rules of the Port Trust Railway and buyers to take delivery within 15 days. Should buyers fail to take delivery within 15 days sellers may then give buyers 7 clear days' notice in writing to take delivery and if delivery is not effected within this time the weight is to be considered as being in accordance with invoice weight, in case of Railway Receipts, and correct weight in case of delivery orders. A tender made after 1 p.m. on any day shall not be considered a valid tender on that day.

7. Sellers to tender the goods to the buyers in terms of Clause 6, but to remain responsible for demurrage for the week subsequent to date of tender (Sundays and other non-demurrage days excluded) and in addition to pay to buyers for a further period of three weeks the difference, if any, between the lowest rate the Port Commissioners may be charging and the actual demurrage due on the tender.

In case of dispute as regards quality, or excess of refraction, demurrage to be charged just as if the tender was made on the date of settlement.

This rule applies only where an allowance is made to buyers. Where no allowance is made demurrage to be charged according to original date of tender.

8. A tender may be made :—

1st—By Railway Receipt for the goods.

2nd—By delivery order on exhibition of the goods by sellers to buyers' recognized agents or employees.

If the tender is by Railway Receipt it shall not be considered valid and complete until goods have arrived and are available for delivery in terms of Clause 6.

9. Sellers must be present at the time of delivery to inspect the weighing and sampling. Should they fail to do so after notice to sellers or to their brokers, buyers will weigh and sample within usual railway working hours and sellers must abide by the result.

10. Delivery under this contract may be made by parcels of not less than 5 tons at a time provided that the whole contracted quantity is delivered within the contract time. If a tender or delivery of less than 5 tons be made sellers will pay buyers an allowance of one anna per maund.

11. Refraction guaranteed.....per cent with customary allowance for any excess up to.....per cent. Over that buyers to have the following options, viz. :

1st—Of cancelling that portion of the contract tendered unless sellers re-clean and tender again in terms of contract.

2nd—Of rejecting the parcel and buying against the sellers in the open market or charging them with the difference in price between the contract rate and the market value.

3rd—Of re-cleaning the goods themselves at sellers' expense.

4th—Of taking delivery with an allowance to be subsequently fixed by arbitration or by the Committee of the Calcutta Grain, Oilseed and Rice Association.

12. The presence of stones or Kunkur throughout a parcel of wheat shall entitle the buyers to reject the parcel.

13. Buyers to have the option of weighing the whole parcel or of taking an average weight as customary.

14. Notice of rejection by the buyers shall be given to the sellers within 15 days from the date the goods are rendered available for delivery under Clause 6. The R/R or delivery order shall be returned by them within 3 clear working days after rejection. When an advance payment has been made and/or freight has been paid by the buyers the same shall be refunded before the R/R or delivery order is returned to the sellers.

15. In taking weights of bags, one seer or more in excess of the stipulated weight not to be accepted in the average.

16. The refraction of the sealed samples representing deliveries to be ascertained at the buyers' office within one week after delivery, failing which buyers to fix a time for the refraction, and the refraction may then take place with or without the presence of the sellers, who must abide by the result.

17. If sellers fail to tender goods on due date buyers are entitled at their option either to cancel that portion of the contract or to charge sellers the difference between contract rate and the rate for ready goods on the next business day following due date. When contracts fall due on Sundays or Chamber of Commerce Holidays the last day for delivery shall be next preceding business day and the market rate for settlement of difference shall be that of the next following business day.

18. Terms of payment: cash.

19. If an advance be made against Railway Receipt tendered under this contract, it is understood that such advance is a loan on the security of the goods and is not a payment on account prejudicing any right of rejection secured to the buyers under this contract.

20. Buyers may appropriate from the money payable to sellers the amount of any outstanding bills they have against the sellers.

21. Any dispute whatsoever arising on or out of this contract shall be referred to arbitration under the rules of the Calcutta Grain, Oilseed and Rice Association forming part of this contract.

22. Anything besides plain signature in any language other than English shall be void.

Brokerage at six pies per Bengal maund from sellers without any abatement for contract cancelled or not cancelled, goods delivered or not delivered, any deductions or *dusturies* eventually allowed being entirely optional to the brokers. When delivery is given such brokerage to be deducted by buyers from the value of goods delivered.

We remain,
Dear Sirs,
Yours faithfully,

Brokers.

CHAPTER V

THE EAST INDIA COTTON ASSOCIATION LTD.

It is proposed to describe in this and the next Chapter the working of two prominent produce exchanges in India viz. the East India Cotton Association, Ltd., Bombay and the Oil Seeds Exchange, Ltd., Bombay.

(A) The East India Cotton Association, Ltd., Bombay

Production of Cotton :—India occupies a prominent place in the production of cotton in the world. As a producer Indian Cotton output is exceeded only by the American and possibly by the Russian, while as a consumer its consumption is second only to that of the U.S.A., The Following table gives the production of cotton in different countries during a period of four years ending 1954-1955.

(a) *Production Centres* :

In thousand bales of 478 lbs. each

	1951-52	1952-53	1953-54	1954-55
(1) U.S.A.	15,155	15,167	16,402	18,600
(2) India	3,100	2,975	3,770	3,900
(3) Pakistan	1,320	1,540	1,200	1,225
(4) Egypt	1,673	2,056	1,467	1,500
(5) U.S.S.R.	4,000	4,000	4,500	4,700
(6) China	3,200	2,850	3,350	3,000

(b) *Mill consumption of cotton by countries* :—

*In thousand bales of 478 lbs. each
Year beginning August 1,*

Name of the Country	1938-39	1951-52	1952-53	1953-54
(1) U.S.A. ...	6,858	9,196	9,461	8,576
(2) India ...	3,436	3,520	3,875	3,985
(3) China ...	3,295	3,300	3,350	3,500
(4) U.S.S.R. ...	3,809	2,800	3,150	3,300
(5) United Kingdom	2,690	1,759	1,564	1,834
(6) Japan ...	2,681	1,816	2,065	2,566

(c) India grows a large number of varieties of cotton. The major varieties of cotton grown in India during 1954 in bales of 392 lbs. are given below:—

(1) Bengals	4.3 lakh bales
(2) Americans	9.2 —do—
(3) Oomras	4.0 —do—
(4) Hyderabad Gaorani	1.6 —do—
(5) Broach	3.9 —do—
(6) Dholleras	3.0 —do—
(7) Southernns	3.4 —do—
(8) Others	10.0 —do—
	<hr/>
	39.4 —do—
	<hr/>

(N.B.—Based on official estimates of output at page 44—The Indian Textile Industry Annual—1954-55.)

(d) *Acreage and Yield*:—The following table shows the relative importance of India as a producer of cotton in respect of acreage and yield for a period of 4 years ending 1953-54.

Year	Area in 000 acres.			Production in 000 bales		
	India	U.S.A.	Egypt	India	U.S.A.	Egypt
1950—51	14556	17850	2050	2971	9878	1762
1951—52	16198	26698	2055	3133	15155	1673
1952—53	15692	25921	2042	3131	15167	2056
1953—54	17182	24341	1875	3965	16461	1467

(e) *Average yield of Cotton in India*:—

Year	Yield of Cotton per acre.
1950-51	... 88 lbs.
1951-52	... 91 lbs.
1952-53	... 90 lbs.
1953-54	... 90 lbs.

Compared with other cotton growing countries the yield per acre in India is still extremely low and is capable of substantial improvement. The average per acre yields during 1953-54 in other

cotton growing countries for purposes of comparison with our are mentioned below:—

(1) Egypt	510 lbs.
(2) U.S.A.	324 lbs.
(3) Peru	448 lbs.
(4) Anglo-Egyptian Sudan	194 lbs.
(5) Argentina	209 lbs.
(6) Brazil	275 lbs.
(7) Mexico	312 lbs.
(8) India (during 51-52)	91 lbs.

(f) *Statistics of stapled cotton in India:—*

In thousand bales of 392 lbs.

<i>Staple Lengths</i>	<i>1949-50</i>	<i>1950-51</i>	<i>1951-52</i>	<i>1952-53</i>	<i>1953-54</i>
(1) Long Staple 7/8" and above	550	684	928	905	1,862
(2) Medium staple below 7/8" and above 11/16"	1,333	1,448	1,213	1,395	1,793
(3) Short staple 11/16" and below	745	839	992	831	929
	<u>2,628</u>	<u>2,971</u>	<u>3,133</u>	<u>3,131</u>	<u>4,084</u>

It will be seen from the above statistics that an attempt has been made to present a detailed picture in regard to cotton in India, in conjunction with cotton statistics in other cotton producing countries as well. The figures presented show the broad trend of production in the sphere of cotton. While reviewing the problems relating to rural economy last year, the Minister for Agriculture said "the production of cotton in the country has increased from about 26 lakh bales in 1949-50 to over 39 lakh bales in 1953-54. The trade estimate which is believed to be more correct than the official estimates put it at 45.28 lakh bales during the same period. It is noteworthy that the increase is mostly under long and medium staple varieties. In 1947-48 the production of long and medium staple varieties was about 14 lakh bales but it had increased to 30 lakh bales in 1953-54 representing about 75% of the total production of cotton in India. The production of cotton stapling 7/8" and above during 1953-54 was over 13 lakh bales as against 3 lakh bales in 1937-48."

The Minister further added "the scope for increase in yield per acre of cotton in the country by the adoption of intensive methods of cultivation is considerable. Our annual area under cotton represents 20.8% of the total annual acreage of the world while our share in the world production is only 9.4%. The present average yield per acre of cotton in India represents roughly 1/5th of that obtained in Egypt and 1/3rd of that obtained in U.S.A." While discussing many important schemes relating to cotton research and the question of target of production for Indian Cotton in the Second Five Year Plan the Vice-President of the Indian Cotton Committee felt gratified to note that the production target set by the Planning Commission during the First Five Year Plan had been reached one year ahead of the schedule. The official estimates of area and production during 1954-55 showed that 18.3 million acres were under cotton and nearly 4.3 million bales were produced as against the targets of 18 million acres and 4.17 million bales of cotton production to be reached in 1955-56. It may be mentioned here that the trade estimates which are more correct than official estimates placed the 54-55 seasons crop at 5.3 million bales. The Vice-President referred to the proposals for the Second Five Year Plan for cotton production and said that the targets for the area and production of cotton had been fixed at 20.42 million acres and 5.58 million bales as recommended by the Central Cotton Committee. A welcome feature of the cotton economy in the country is that side by side with an increase in the production there has been an upward trend in the domestic consumption of cotton by mills as would be seen from the following figures:—

Period	In lakh—Bales of 392 lbs. each.		
	Indian Cotton	Foreign Cotton	Total
1950-51	25.16	11.05	36.21
1951-52	29.87	10.84	40.71
1952-53	36.11	8.48	44.59
1953-54	38.88	7.19	46.07

These figures indicate that the consumption of foreign cotton is gradually on the decline. The Vice-President estimated on the basis of figures ended April, 1955 that mill consumption of Indian and foreign cottons during 1954-55 would be around 4.1

million 6,50,000 bales respectively as against 3.9 million bales and 7,20,000 bales during 1953-54.

The following statement shows the exports of Indian raw cotton to other countries:—

Year	Quantity in tons	Value in thousands of Rs.
1950-51	14,608	49,441
1951-52	22,977	1,86,784
1952-53	70,886	1,93,203
1953-54	34,946	93,970
1954-55	29,887	1,01,861

The following statement shows production of cotton by varieties in the Union of India. It indicates the official estimates of area and yield of cotton according to the trade descriptions for 1953-54.

Final estimate of cotton crop 1953-54—000 omitted.

Description	Acreage	Yield in bales
(1) Bengals	975	434
(2) Americans	3,470	920
(3) Oomras	2,208	404
(4) Broach	976	389
(5) Surti	516	186
(6) Dholleras	1,529	304
(7) Southernns	2,123	341
(8) Jarilla (including virnar)	2,171	457
(9) Verum	300	54
(10) H. 420	286	52
(11) Hyderabad Gaorani	1,379	165
(12) Malvi	1,036	202
(13) Comillas	58	27
	<u>17,027</u>	<u>3,939</u>

(g) *World supply and distribution of Cotton:—*

Year beginning August 1.	In thousand bales of 478 lbs. each.			
(A) Supply	1951-52	1952-53	1953-54	1954-55
(1) Stocks on hand	11,700	15,000	17,000	20,000
(2) Production	35,900	35,900	38,100	37,200
Total ...	<u>47,600</u>	<u>50,000</u>	<u>55,100</u>	<u>57,200</u>

(B) *Distribution*

(3) Consumption	32,500	33,700	35,100	35,500
(4) Destroyed	100	200	200	200
(5) Stocks on hand	15,000	17,000	19,800	21,500
Total ...	<u>47,600</u>	<u>50,900</u>	<u>55,100</u>	<u>57,200</u>

These details emphasize the importance of cotton economy to the country.

Futures Trading in Cotton.:—It has already been mentioned elsewhere that an organization for trading in futures under a set of regulations performs valuable economic functions in that it facilitates the application of the principles of insurance to trade. Futures trading in a commodity serves as a protection or insurance against price hazards. In the absence of a futures market a dealer will not be able to sell cotton or any other commodity for future delivery, nor will an exporter be able to sell ahead to the consumer in other countries. A financing bank would not consider it safe to grant financial accommodation to a cotton dealer against the security of cotton which is not hedged. Thus with reduced purchasing power on account of curtailment of credit, and disappearance of protection against price fluctuations, dealers in cotton would obviously demand or are compelled to work on wider margins. That is to say, they would pay less to the producers and charge more to the consumers. Again, futures trading, as already pointed out, provides a ready liquid and a continuous market for both sellers and buyers at a reasonable price, and it is, therefore, of utmost importance to the growers, factory-owners, manufacturers, middlemen-stockists, exporters, importers, etc. People are enabled to trade on a smaller margin in a commodity for which there is a properly organized futures market to function as a shock-absorber. This is not to say, however, that a commodity futures market is free from drawbacks peculiar to its organization and working. It is after all a human organization wherein are reflected all the weaknesses of human nature—to get rich-quick mentality and it is susceptible to certain undesirable activities or practices such as

These Statistics are taken from "The Indian Cotton Textile Industry" 1953-54 and 1954-55, Annuals M. P. Gandhi.

squeezes, bear raids, corners or other manipulations. These mal-practices are recognized on all hands as undesirable elements in any well-organized system of marketing, causing violent price movements, which it is the declared object of a commodity exchange to avoid. The fluctuations that arise in the wake of these undesirable practices adversely affect the interests of all concerned by rendering the forward market of little use both as an instrument of hedge and as a barometer of the correct price level. Hence arises the need for regulating and controlling the activities of such exchanges. As a matter of fact, the authorities of the commodity exchanges in this country until the passage of the Forward Contracts Regulation Act, 1952, had not got adequate powers to control and regulate the futures trading and marketing. The Forward Contracts Regulation Act is a regulatory measure and a comprehensive piece of legislative enactment and has come into force in the whole of India except the State of Jammu and Kashmir with effect from the 24th day of August 1953. With the application of the provisions of the Forward Contracts Act, 1952, to cotton as per Notification No. SRO. 2522, dated 30th July 1954, of the Ministry of Commerce and Industry, Government of India, the regulation and control of cotton transactions administered hitherto through the E.I.C.A. Ltd. under the various Bombay Acts have been brought under the direct purview of the Government of India. Every association concerned with regulation and control of forward contract in any commodity is required to apply for recognition under this Act. The application for such registration has to be accompanied by a copy of the bye-laws of such Association, together with a copy of the Rules relating in general, to the constitution of the Association and particularly to:—

- (a) The Governing Body of such Association, its constitution and powers of management and the manner in which the business is to be transacted ;
- (b) the powers and duties of the office-bearers of the Association ;
- (c) the admission into the Association of various classes of members, their qualifications and exclusion, suspension, expulsion and re-admission ; and

- (d) the procedure for registration of partnerships, as members of the Association and the nomination and appointment of authorized representatives and clerks.

The Central Government would grant recognition to an Association, subject to certain conditions prescribed in Sections 6(2)(a) and (b) and 6(3). Under Sub-Section 6(3), no rules of a recognized association can be amended except with the approval of the Central Government which acts through the Forward Markets Commission set up under the Forward Contracts Regulations Act. Such a recognition can be withdrawn also by the Central Government in the interest of the trade or in the public interest after giving a reasonable opportunity to the Association of being heard against such withdrawal. No such withdrawal would affect the validity of contracts already made. The Central Government has taken powers to call for periodical returns from an Association or to appoint one or more persons to make an inquiry into its affairs and direct the Forward Markets Commission working under the Act to inspect its accounts or any other documents. The office-bearers of such an Association are required to produce before the Authority making the inquiry all books of accounts, correspondence and other documents having a bearing on the subject-matter of such inquiry. The Central Government has also the power to direct rules to be made or to make rules or amend any rules made by a recognized association, which, with the previous approval of the Central Government, may make bye-laws also for the regulation and control of forward contracts. The various matters in respect of which a recognized association can make bye-laws are provided in Section 11 of the Act. Similarly, the Central Government can also make or amend bye-laws of a recognized association adopted under Section 11, by previously notifying about the framing or amending the bye-laws. Under Section 13 of the Act, the Central Government possesses the power to supersede, for a period not exceeding six months, the Governing Body of a recognized Association after giving it a reasonable opportunity to show cause as to why it should not be superseded. When such a body is superseded, the Government may appoint a person or persons to exercise and perform all the powers and duties of the Governing Body and certain consequences referred to in Section 13 Sub-section 2 would thereafter

ensue. Another sweeping power that vests in the Central Government is the power to suspend business of a recognized association in the interest of the trade or in the interest of the public for a period not exceeding seven days in the first instance. This period may be extended from time to time by a notification but if the period of suspension is likely to exceed one month, the Governing Body of the Association whose business is so suspended would be given an opportunity of being heard in its defence. Section 15 of the Act empowers the Central Government to prohibit forward contracts in goods notified as illegal or void in certain circumstances. Under the provisions of Section 19, all option-dealings in goods entered into after the date on which the Section comes into force are declared illegal, and options in goods entered into prior to the coming into force of this section and which remain to be performed wholly or in part after the said date would also become void to that extent. Chapter V of the Act contains provisions for imposition of penalties for contravention of certain provisions of the Act and no court inferior to that of a Presidency Magistrate or a Magistrate of the First Class is empowered to take cognizance or try any offence punishable under the Act. Under the miscellaneous provisions of the Act there is the power vested in the Central Government for the appointment of an Advisory Committee for advising the Central Government on any matter concerning the operation of the Act and the Central Government also can delegate its authority to any other officer or State Government or authorities. The Central Government can also exempt any contract or classes of contracts from the operation of all or any of the provisions of the Act. It has also taken power to frame rules under the Act for the purpose of carrying into effect the objects of the Act. Under Section 29 of the Act, the Bombay Forward Contracts Control Act, 1947, stands repealed after the coming into force of the Forward Contracts Regulation Act, 1952, but such repeal does not effect anything done or suffered under the law so repealed or any right, privilege, obligation or liability acquired or incurred under the law repealed or any penalty or punishment incurred in respect of any offence against the law repealed or any investigation, legal proceeding, or remedy in respect of any such right, privilege

or obligation or penalty or forfeiture, or punishment aforesaid.

In almost all the leading countries of the world, viz., U.S.A., Germany and Japan organised produce markets have to function in accordance with certain rigid rules and regulations. The most efficiently organised commodity markets are to be found in U.S.A., where the Cotton Futures Act regulates the dealings in American Cotton Markets, viz., New York, New Orleans and Chicago. The Act gives vast powers to the Secretary of Agriculture in all matters in connection with dealings in Cotton Futures. Though Government intervention was not objected to by the Trade it did not regulate or supervise the trading practices of members of the Exchange. A bill to that effect was introduced in the Congress in 1930 but it was objected to by the Federal Farm Board on the ground that it would suppress all Futures Trading in cotton and grain. The Commodity Exchange Act was passed in 1936 which brings under State Control transactions for future delivery in cotton, wheat etc. It generally supplements the provisions of the Cotton Futures Act, 1916 and the Grain Futures Act, 1922. The principal provisions of the Commodity Exchange Act are—(1) Markets conducting transactions for future delivery must be designated as such by the Secretary to the Department of Agriculture. All transactions for future delivery put through independently of a Futures Market would be unlawful. (2) Records of all transactions must be maintained for a period of 3 years. (3) The Secretary of Agriculture is allowed access to all records or minutes of Committees of the Market. (4) Strict limits are imposed on the amount of regulative trading that any person may do in his own account in one day except bona fide hedging transactions. (5) Commission merchants trading in futures are required to be registered that the Annual Fee for registration is 10 dollars. Before being registered a scrutiny of the financial statement is done by the Commission appointed under the Act.

The Birth of the East-India Cotton Association Ltd.

The position of the cotton trade in Bombay until the end of 1917 was anything but satisfactory. Legislation had therefore to be invoked. Under the Defence of India Act, the Government

of Bombay appointed a Committee called Cotton Contracts Control Committee under the chairmanship of Mr. Wiles—the then Secretary to the Finance Department—to control the cotton trade in Bombay. Acting on its recommendations the Government of Bombay introduced a bill in 1918 in the Legislative Council in order to provide for the control of dealings in cotton by the Bombay Cotton Contracts Board and the bill was passed into law under the name of Bombay Cotton Contracts Control Act, 1919. The Board controlled the trade in cotton for more than 3 years up to 1922. Thus for the first time in the history of cotton trade in Bombay the principle that there should be a Central Controlling Body to regulate the trade in cotton was accepted by the Trade. It may be noted in the year 1919 there were in Bombay as many as 7 distinct bodies representing different branches of the Cotton Trade. The Cotton Contracts Control Act being a war measure was repealed in 1922. While this Act was in operation the Mackena Committee was appointed by the Government of India and it recommended the establishment of a Central Cotton Trade Association in Bombay on the lines of Liverpool Cotton Trade Association. This Committee emphasised that it was a matter of urgent importance that the Bombay Cotton Market should be organised on sound lines and in making this suggestion the Committee pointed out that in the prevailing circumstances the trade itself could not undertake its formation. The main object of starting an Association at the time was to control speculation and to regulate the Cotton Market so as to secure the interests of *bona fide* traders. The Government put itself into touch with various sections of the Trade through the Cotton Contracts Board with a view to exploring the possibilities of formation of a single association representing all interests. It gave further assurance that if such an association were formed it would be given the powers of control by enacting specific legislation for the purpose. A scheme was accordingly drawn up by the Cotton Contracts Board on the lines of the one prepared by Sir Ness Wadia and the Committee was appointed with Sir Purushottamdas Thakurdas as Chairman who discussed the same with the representatives of the Bombay Cotton Merchants' and Mucadams' Associations. The Marwari Chamber of Commerce, and the Bombay Cotton

Brokers' Association. Many meetings were held and the scheme was not generally acceptable to the trade. The Cotton Contracts Board again arranged on 8th December 1920 another meeting of the directors of the different associations concerned with cotton trade, to consider the question of drawing up a memorandum and articles of association for a new association. A committee with Sir Mathuradas Visanji as Chairman was appointed to draw up a scheme. After prolonged discussions and many mutual concessions the Committee formulated a skeleton scheme which was agreed upon by everyone except the representatives of the Mill-owners' Association. The Mill-owners' Association wanted a single hedge contract while the brokers insisted on more and narrow contracts. In April 1921, the committee presented the skeleton scheme of a new Association to the members of the Clearing House and requested them to submit their membership applications to the Secretary of the Cotton Contracts Board. A meeting of all such members was held on the 25th May 1921, when the scheme was generally approved and adopted. A provisional Board was appointed with powers to make such alterations as might be suggested by a member of any Association in so far as such suggestions conformed to the main spirit and object of the scheme. Some amendments and additions to the original scheme were accepted by the provisional board. The Millowners' Association and its members did not join the new association, despite the fact that other 400 members had joined it; on 23rd July 1921 an election was held to form a representative committee consisting of 15 representatives each of the Exporters, Importers, Commission Agents, Jaithawallas, Muccadams, and Brokers. The Association was designated as the East-India Cotton Association Limited. It was registered under the Indian Companies Act, on 19th October 1921.

Objects of the East-India Cotton Association Ltd.

Amongst the various objects mentioned in the Memorandum of Association with which the East-India Cotton Association Ltd., was established the main ones are :—

(1) To provide and maintain suitable buildings or rooms for a Cotton Exchange in the city of Bombay and elsewhere in India.

(2) To provide forms of Contracts and regulate the working of Contracts.

(3) To adjust by arbitration or otherwise controversies between persons engaged in the cotton trade.

(4) To establish just and equitable principles in the said trade and to maintain uniformity of control of the said trade.

(5) To fix or adopt standards of classification of cotton.

(6) To acquire, preserve, and disseminate useful information connected with the cotton interests throughout all markets.

(7) To control, promote, regulate the cotton trade in the State of Bombay or elsewhere in India, improve its stability and augment the facilities with which it may be conducted.

(8) To prescribe the principles of framing of contracts with a view to eliminating the temptation and possibility of speculative transactions.

(9) To establish and maintain a Clearing House for the purpose of dealing in cotton transactions.

(10) To make from time to time bye-laws for the control and regulation of membership of the Association and of cotton dealings in the State of Bombay under Legislative Enactments.

(11) To establish, take over, control, manage or regulate the cotton market in Bombay or the cotton markets in any part of India.

(12) To establish and carry on a bank to undertake banking business.

Members of the Association

The Association consists of six main types of membership, viz., (1) original members, (2) new members, (3) special associate members, (4) original associate members, (5) new associate members and (6) honorary members. Membership of the Association at the end of the year 1955 as compared with the previous year,

under different categories as well as according to panels, is given in the following comparative table :—

Type or category of Membership	As on 31-8-54	As on 31-8-55
(1) Original Members	241	242
(2) New Members	251	245
(3) Special Associate Members —Class A	5	5
Do. do. do.— „ B	187	205
(4) Original Associate Members	2	3
(5) New Associate Members	59	62
Do. „ (Non-Citizens of India)	2	2
(6) Honorary Members	1	1
	<hr/> 748	<hr/> 765
No. of Members elected during the year	14	15
No. of members resigned during the year	30	43
No. of members posted during the year	1	4
Classification of members according to Panels		
(1) Buyers	74	74
(2) Sellers	136	134
(3) Brokers	282	279
Combined total of Special Associate Class A, Associate and Special Associate Class B members	255	277

It may be noted that the qualifications, privileges, amount of deposit, entrance fees and annual fees or subscriptions vary with the different categories of members as shown in the comparative table on the next page.

6.—Main Types of membership as recognised by the Articles of Association and the qualifications and privileges attaching to different categories of members are mentioned below.

Types of Membership	Qualifications required	Privileges and concessions enjoyed			Remarks
		Deposit	Entrance fee	Annual subscription	
(1) Honorary members.	Long and meritorious service not only to the E.I.C.A. but to the cotton trade in general	Exempt	Exempt	Exempt	(a) They can attend all meetings of the Association but are not entitled to vote. (b) Various restrictions contained in Articles Nos. 10, 13(c), 15, (A) 15(D), 16(A), 20, 27, 30, 72 and 97 will not apply. (c) They have no vested interests in the Assets of the Association.
(2) Original Members.	(a) Place of business in Bombay. (b) Applied before 10th May 1922	Rs. 10,000 1st instalment of Rs. 5,000 should have been paid up carrying 5 p.c. interest.	-do-	Rs. 200/-	All
(3) (a) New members or members other than original members.	(A) If he is an individual he must have Place of business in Bombay and	Rs. 20,000 carrying 2½ interest and subject	Rs. 2,500	Rs. 200/-	All

This class of membership was created by an extraordinary G. M., dated 21-12-1933 and Sir Purushottamdas Thakurdas is the only Hon. Member.

Types of Membership	Qualifications required	Deposit	Entrance fee	Annual subscription	Privileges and concessions enjoyed	Remarks
	(ii) he must have traded in cotton in Bombay for not less than 3 years.	to lien and forfeiture in certain circumstances.				
	(iii) he is a citizen of India.					
	(B) If a firm or a Co.					
	(A) In case of a firm it must have					
	(a) a place of business and					
	(b) traded in cotton for a period of at least 3 years in cotton.					
	(c) a majority of partners wherein are citizens of India and					
	(d) at least 75 pc. of capital is owned by citizens of India.					
	(e) In case of a Co. a majority of Directors are citizens of India.					
	(f) managers are citizens of India.					
	(g) 75 p.c. of owned capital beneficially held by citizens of India.					
	In case of a private					

Ltd., Co. with Ltd.
liability.

7(h) Its paid up capital
is 10 lakhs of rupees

(b) Members of non-
Indian domicile.

Being a Person he is a
(a) non-Indian citizen or
(b) Being a firm persons
whereof are nationals
of a country which
affords similar trad-
ing facilities to citi-
zens of India in
cotton or cotton goods.

(c) Being a Company, carrying 2½ p.c. interest
incorporated in a country which affords
similar trading facilities to citizens of
India in cotton or cotton goods.
Rs. 50,000

Rs. 2,500 Rs. 200

All.

(4) (a) Original Associate
Members.
Under article 11(a)

(a) Member of the Clearing
House established by
the Cotton Control
Board or
(b) A Broker licensed by
that body.
(c) Applied before 10th
March 1932.
(d) Place of business in
India.
(e) May be a person or a
firm or a Company.

Rs. 500.

— Rs. 50/-.

(a) No vested interest in
the assets of the Asso-
ciation.
(b) Not entitled to trade
in their own name in
the Ring.
(c) Not entitled to use
the Clearing House.
(d) Not entitled to be
present at a general
meeting.
(e) Not entitled to vote.
(f) Not entitled to become
a Director.

Types of Membership	Qualifications required	Deposit	Entrance fee	Annual subscription	Privileges and concessions enjoyed	Remarks
(b) Any other person Under Article 11(b)	Having a place of business in India and trading in cotton; May be a person or a firm or a Company	Rs. 1,000/-	—	Rs. 50/-		
Any other person Under Article 11(c)	(a) Must possess full rights of membership in the Liverpool Cotton Association, and (b) His original application must be seconded by 3/4ths majority of the Directors of Liverpool Cotton Association and annual renewal application similarly seconded. May be a person or a firm or a company.	Rs. 1,000/-	—	Rs. 50/-	do.	
(c) Any other person Under Article 11(d)	(a) He must have a place of business in Bombay and, (b) Actually engaged in cotton trade and he must be. (c) A National of a country giving similar trading facilities to India in cotton or cotton goods. May be a person or a firm or a Company.	Rs. 5,000/-	—	Rs. 100/-	do.	

(5) Article 11 (A)
New associate
Members after 29th
December 1951.

Eligible if they are fulfilling conditions in clauses of articles 11 (a) or 11 (c)	Rs. 500/-	Rs. 50/-
(a) If an individual he must be a	Rs. 1,000/-	Rs. 50/-
(b) Any other associate member not falling under category 11(a) or 11(c) but deserving admission under clause 11(b) or 11(d) after 29th December 1951.		
(i) Citizen of India and must have a place of business in Bombay and		
(ii) Actually engaged in cotton trade in Bombay.		
(b) If a firm		
(i) A majority of partners are citizens of India and		
(ii) 75 p.c. of its capital is owned by citizens of India.		
(c) If a Company—		
(i) Majority of Directors or Managers are Indian citizens and		
(ii) 75 p.c. of its capital is beneficially owned by citizens of India.		
(d) If a Private Company with limited liability its paid up capital is 10 lakhs of Rupees.		

Types of Membership	Qualifications required	Deposit	Entrance fee Annual subscription	Privileges and concessions enjoyed	Remarks
(c) Article 11 (B) Individual or firm or Company. Persons not eligible under article 11(A) after 29th December 1951.	(i) If an individual he must be national of a country that gives similar trading facilities in cotton to Indian citizens. (ii) If a firm the partners thereof ought to be nationals of a country giving similar trading facilities to Indian nationals. (iii) If a Co. it must be incorporated in a country which affords similar trading facilities to Indian citizens.	Rs. 5,000 carrying 2½ p.c. interest subject to forfeiture under certain circumstances.	— Rs. 100/-	Same in 4 above.	
(6) Article (13) special Associate Member Class A	(i) He must be a member of the Clearing House established by the cotton Contracts Board or a broker licensed by that body and (ii) Applied before March 31st 1922; may be an individual or a firm or a company.	Rs. 5,000/-	— Rs. 200/-	(i) Entitled to trade in the Ring in his own name. (ii) Entitled to make use of the Clearing House. (iii) Not entitled to vote at a general meeting nor be present at a general meeting. (iv) Not entitled to act as a Director. (v) Not entitled to have vested interest in the assets of the Association.	

(6) Article 13(A)
Special Associate
Member Class B

- (i) He must have a place of business in Bombay and, must have been a member of Shri Mahajan Association on 1st May 1947, and on his death if an individual he can transmit his interest to his son or sons.
- (ii) If a firm the interest of a dying partner can be transmitted to the newly constituted firm by the admission of the deceased partner's son or sons.

Rs. 200/-.

do.

A member has been defined in the bye-laws to mean an individual a firm or a company duly elected to membership of the Association whether entitled or not to use a clearing house but for the purpose of bye-laws Nos. 30, 31, 31(A), 36(2), 38(D), 84(2), 128(3), 169(i) and (ii) and 172 it shall not include an associate member a special associate member Class A or Class B. The student is expected to be familiar with these bye-laws. Under the bye-laws of the Association the Board has powers to expel, suspend or impose a fine on any member for any of the following acts or omissions on the part of the member or his permit-holder, or his partner or in the case of a joint Hindu family firm, its Manager.

(a) For neglecting or refusing to submit to or abide by and carry out any award or decision of any arbitrators or surveyors or an umpire or a panel of surveyors or any other Committee or of the Board.

(b) For acting in any manner detrimental to the interests of the Association.

(c) For misconduct in his dealings with the Association or any member or members thereof or for any fraudulent transactions with any person whether a member or not, of which complaint is made to the Board by one or more members.

(d) For knowingly violating, disobeying or disregarding any bye-law of the Association or any enactment, order or ordinance or notification issued by the State or the Central Government in respect of trading in cotton or the provision of the Forward Contracts Regulations Act, 1952 and the rules made thereunder, and any direction issued by the Forward Markets Commission.

(e) For knowingly publishing or permitting to be published in any newspaper, circular or otherwise, any misrepresentation relating to the cotton trade calculated to mislead the members and/or the public.

(f) For refusing to comply with a request made to him by the Board requiring him to attend any meeting of the board or to produce any books, documents, correspondence or any other

papers in his possession or control or for refusing to answer any question put to him by any member of the Board regarding his business.

(g) For failure to pay differences fixed under bye-law No. 164 and/or arbitration or appeal fees when due or for non-payment of any fine or for failure to pay any other amount due by him under the bye-laws.

(h) For having brought about his failure to meet his obligations at maturity by conducting his business in a reckless manner involving another member in financial loss.

12(a) The following acts or omissions are deemed to be misconduct within the meaning of the bye-laws of the Association :—

- (1) Wilful non-fulfilment of a contract or a flagrant breach of it.
- (2) Frivolous repudiation of a contract.
- (3) Refusal to refer any question in dispute to arbitration under the bye-laws.
- (4) Refusal or neglect to abide by it and carry out any award.
- (5) Affording directly or indirectly any information prohibited to any surveyor of umpire or a panel of surveyors.
- (6) Any conduct whereby an arrangement or undertaking between the East-India Cotton Association Ltd. or any other Corporation or a public body, is defeated or obstructed.
- (7) Generally any conduct towards the Association or as between the members of the Association which is subversive of the bye-laws or the purposes of the memorandum and articles of the Association.

Whenever the Board finds that there is sufficient reason to enquire whether there has been any act or omission on the part of a member rendering him liable to expulsion, suspension or imposition of a fine and the said act or omission is capable of remedy or mitigation, the Board may call upon the member to do

such act or provide such thing within a specified time and the member may be further called upon to produce any books, documents or correspondence in his possession. If after considering all the relevant facts the majority of members of the Board hold that a member has become liable they may expel such member or suspend him and/or impose upon such a member a fine not exceeding Rs. 10,000/-. Before passing a resolution to that effect the member against whom proceedings are launched is given a right to lead evidence before the Board. The Board may instead of imposing a fine reprimand and or warn a member if they think fit. For the purpose of this bye-law a suspension is regarded as a lesser penalty than expulsion and a fine a lower penalty than suspension or expulsion. A suspended member is excluded from all the rights and privileges except in respect of contracts outstanding at the time of exercising disciplinary action against him. While a member expelled would forfeit all the rights and privileges of membership and his name would be struck off the register but he would continue to be liable for all his previous obligations either to the Association or to any other member outstanding at the time of his expulsion. Any associate member who is also a member of the Liverpool Cotton Association contravening any provision of the bye-laws, memorandum and articles of that Association or any other regulations of the E.I.C.A. Ltd. would be reported to the Liverpool Cotton Association, for taking disciplinary action against him.

13. *Special Associate Members* :—A new class of special associate members had to be created as a result of the amalgamation of Shri Mahajan Association, a rival body, with the E.I.C.A. Ltd. The Mahajan Association had been formed in 1925 by persons who were dissatisfied with the composition and working of the E.I.C.A. Ltd. It has already been stated that the E.I.C.A. Ltd. was registered in 1921 and that the Millowners' Association had hung back on the ground that the constitution of the Board gave a preponderent voice to the representatives of the sellers of cotton and that the hedge contracts adopted were so narrow as to always push up the price of the futures contract. On an assurance given by the E.I.C.A. Ltd. that these grievances would be removed, the Millowners' Association advised its members to join the Association. On 19th June 1922, the E.I.C.A., Ltd.,

made a representation to the Government of Bombay, requesting that statutory powers be conferred on it in order to enable it to regulate the cotton trade effectively, and that the administrative machinery contained in the Articles of Association, be sanctioned for the due carrying out of the purposes of the Association. The Government of Bombay, on being satisfied about the co-operation of all the sections of the trade with the E.I.C.A. Ltd., published a bill in July 1922 to provide for the regulation and control of transactions in cotton in the Bombay Province. The Bill was supported by a large and influential section of the trade and on 28th December 1922, the Bombay Cotton Contracts Act was placed on the Statute Book and the E.I.C.A., Ltd., received its statutory authority. There was still a small section of small traders in cotton who were opposed to granting the exclusive privilege of controlling the cotton trade to any single association, and it continued to harbour a grievance against the E.I.C.A., Ltd. The contentions put forward by them were that the E.I.C.A. Ltd. was a preserve of a few big and influential cotton merchants and that the minimum unit of trading permitted in the bye-laws of the Association was 50 candies, or 100 bales, which was obviously prohibitive, in the case of a small trader. Further, the idea of doing business under rules and regulations was distasteful to some of the elements in that the new method sought to be adopted infringed their freedom of trade. In pursuance of this attitude the disgruntled section decided to form a rival association. The Cotton Contracts Act, 1922, had made all contracts entered into outside the bye-laws of the E.I.C.A., Ltd., void but not illegal. The contracts were thus simply unenforceable in a court of law and any two persons could, by mutual consent, enter into any kind of contract they chose. The only limitation came from the operation of the Bombay Prevention of Gambling Act, according to which contracts wherein tender of the actual commodity was not contemplated were illegal. In July 1925, taking advantage of the lacuna in law persons, who had a grievance against the E.I.C.A. Ltd. formed an Association under the title of Shri Mahajan Association. It had only one hedge contract (Fully Good Broach) with the range of tenderable cotton narrower than that under similar contract of the E.I.C.A., Ltd. The minimum unit was only 20 bales as

against 100 bales of the E.I.C.A., Ltd. Though there was no Clearing House, it had a weekly settlement. While the rules for giving and taking delivery were being framed, impatient members began to trade in disregard of the Bye-law which was in the offing. On 21st January 1926, the Police raided the premises of the Association and arrested 327 cotton merchants under the provisions of the Bombay Prevention of Gambling Act. The Government decided to treat it as a test case, and all but four were dropped, and the Court took a lenient view and in the final appeal a fine of Rs. 50/- was only imposed not because that business had been done outside the bye-laws of the E.I.C.A., Ltd., but because the provisions of the Bombay Gambling Act had been violated. The Mahajan Association lost no time in making good the omission in its bye-laws and the legality of the business done has not since then been questioned. The E.I.C.A., Ltd., applied in 1925 for the extension of the life of the Cotton Contracts Act for a further period of five years. The Bombay Chamber of Commerce and the Millowners' Association were opposed to the extension of the period. Still, however, the Government of Bombay acceded to the request of the Association, but the opposition bided its time. In 1930, the Government of Bombay called a Conference of all those interested in cotton trade and the E.I.C.A. Ltd., had earlier expressed its opposition to the abolition of a statutorily recognised body. As it was not possible to bring about a reconciliation of the conflict of views among the various sections of the trade, the Government of Bombay appointed Committee under Mr. Wiles, the then Secretary to the Finance Department, to go into the entire question of the manner and method of regulating the cotton trade. In the meanwhile, the life of the Cotton Contracts Act was further extended up to August, 1931. The Wiles Committee made recommendations on issue referred to it as follows:—

(a) On the question of unitary control of the trade, the Committee was of the opinion that forward dealings in cotton should be under the control of a single body. It recommended, therefore, that steps should be taken to prevent the setting up of any rival organization purporting to deal in or to control forward business, declaring such association illegal.

(b) In regard to the question of the composition of the Board, of the E.I.C.A., Ltd., no unanimous recommendation could be made. The majority desired the elimination of the panel system altogether, while the minority favoured its retention and the Government of Bombay accepted the recommendation of the minority. The Committee was, however, unanimous in recommending that the Board should include representatives of cotton-growers.

(c) As regards the hedge contract, the Committee held that it must be broad enough to give as many cotton-growers as possible, the advantage of the futures market and to prevent the possibility of the corner it opined that it was not possible to force something on the trade which would not function.

(d) It recommended a system of blind surveys with whole-time sworn surveyors.

(e) It recommended that the Association should permit the business in options to be conducted under its auspices with payment of differences through the Clearing House.

The recommendations of the Committee and the Government Resolution accepting them had rather a mixed reception. The sympathisers of the Mahajan Association resented the ban put on the legal existence of rival associations. The Government of Bombay asked the E.I.C., Ltd., whether it was prepared to carry out the changes in the Articles of Association which had been accepted by Government. The E.I.C.A., Ltd., called an extraordinary general meeting on 22nd June, 1931, which approved the proposals contained in the Government Resolution, though it did not consider them to be wholly satisfactory. On 14th July, 1931, the Government of Bombay introduced a Bill in the Legislative Council. If this Bill had, however, been passed into law, it would have cut short the life of the Mahajan Association because of the provision contained in the Bill, declaring illegal such contracts as were passed outside the bye-laws of the E.I.C.A., Ltd. Another section of the Bill defined the Association to mean the E.I.C.A. Ltd., the Mahajan Association organized a strong opposition to the Bill, and during the second reading of the Bill, an amendment was moved defining the Association as the East India Cotton Association or *any other Association*.

tion, and the amendment was carried by a majority, negating the very basic object of the Act. The Government of Bombay, accepting the defeat, withdrew the Bill, and the only effect of the Wiles' Committee's recommendations was that the E.I.C.A., Ltd., modified its constitution on the lines recommended by the Government. In 1932, the Civil Disobedience Movement had been launched by the Indian National Congress and the cotton market refused to trade with the European cotton merchants. To counter this, the Government of Bombay, drafted a Bill in July, taking power to supersede the Board of Directors of a recognized Association in order to secure free trading in the market and prevent obstruction thereto, and interference therewith and to nominate its own Board of Control. The E.I.C.A., Ltd., expressed its resentment against the Bill, and despite its opposition the Bill was introduced in the Legislative Council in 1932. As the Legislative Council was boycotted at the time by the popular representatives, it was easy for Government to get through all the three readings of the Bill and thus the Bombay Cotton Contracts Act, 1932, was placed on the Statute Book. Subsequently, repeated efforts were made to arrive at an agreed solution on the question of unitary control but for one reason or the other, no agreement could be reached. After Popular Ministries came to power under the 1935-Constitution, the Mahajan Association applied to Government for recognition. In January 1938, the Government convened a Conference of the representatives of the two Associations to see if unitary control could be provided by making suitable provisions in the bye-laws of the E.I.C.A., Ltd., for a special ring for the smaller traders. The Government then put forward draft proposals which were agreed to by the E.I.C.A., Ltd., but the Mahajan Association submitted its own counter-proposals. On considering these, the Government of Bombay intimated to the Mahajan Association that no useful purpose could be served by further negotiations in the matter, but meanwhile, the E.I.C.A., Ltd., invited representatives of the Mahajan Association to work out details. An agreement was reached in May 1939 but it was negated by the General Body of the Mahajan Association by a narrow majority. As the Government of Bombay did not consider it proper to ban the formation of unrecognized associations as illegal, without first

giving an opportunity to all *bone fide* traders to become members of the E.I.C.A., Ltd., they asked the latter to take urgent steps to amend the Articles of Association, with a view to admitting new members on the terms settled between the Shri Mahajan Association and itself. Accordingly, the E.I.C.A., Ltd., prepared amendments to the Articles and bye-laws for being considered by the Extraordinary General Meeting of the Association on 3rd November 1939. The Government of Bombay also drafted a Bill on the above lines, but the Ministry itself resigned on 1st November, 1939, and the Bill could not be proceeded with. The Extraordinary General Meeting of the E.I.C.A., Ltd., was also consequently postponed *sine die*. Thus various factors such as obstinacy, constitutional changes, political upheavals conspired to defeat every effort made for years on end to vest the control of the cotton trade in a single Association. After the World War II was over, Popular Ministries were in the saddle again and the question of regulation of control of forward trading in cotton was investigated by a Committee of the Cabinet and this Committee made the following recommendations:—

(1) Any statutory measure, if enacted, should be extended to the whole of the Bombay State.

(2) There should be only one recognized Association for the whole State, so far as hedge trading was concerned.

(3) Forward trading outside Bombay might be permitted and in each of the linguistic divisions one recognized association might be formed.

(4) Government should take power to impose bye-laws in all matters.

(5) Contracts not conforming to bye-laws should not only be void but made illegal also and parties responsible therefor should be made liable for punishment.

(6) It should be made a penal offence for any person to organize or assist in organizing or to be a member of any unrecognized Association.

(7) Government should take power to nominate the President or one or two members of the Board and it should have also power to supersede the entire Board, if and when necessary.

(8) The present system of electing directors so as to represent different interests should continue, but election should be by the general body as a whole and not by panels thereof.

(9) Two of the six seats reserved for brokers should be reduced and a like number reserved for associate-members.

(10) In order to safeguard growers' interests, four persons should be nominated by Government, in addition to three persons nominated by the Indian Central Cotton Committee.

(11) There should be no limit to the enrolment of new members, whether ordinary or associate, and there should be no provision for transfer of membership.

(12) The associate-members should be permitted to elect members for the General Body in the following proportion:—

For the first 100 associate-members 5 members.

For every additional 50 associate-members or part of 50, there should be one member, provided that the total number of members so elected to the General Body does not exceed 20.

(13) The number of Survey or Appeal Committee should be increased to 50 from 25, and to 30 from 16 respectively. The Super-Appeal Committee should be expanded from 3 to 5.

(14) The Association should make more use of the machine tests at the stage of appeal.

(15) Smaller unit of trading than 50 bales should not be permitted, nor should there be any reduction in the amount of membership fees nor should a separate class of membership for small traders be allowed. The Committee further considered it unnecessary to give separate consideration to the question of amalgamation of the Shri Mahajan Association with E.I.C.A., Ltd.

(16) Options in cotton, i.e., Teji-Mandi transactions, should be forbidden.

(17) No major change in the basis of the contract was considered opportune.

These recommendations of the committee, together with certain modifications made by the Government, paved the way for a fresh legislation under the title of "the Bombay Forward Contracts Control Act, 1947." This Act was applied to cotton from

1st April 1948 and from this date, E.I.C.A., Ltd., became the only recognized body for regulating dealings in forward contracts in cotton in the Bombay State. The Board of the E.I.C.A., Ltd., was also reconstituted as recommended by Government Contractors not in accordance with the bye-laws of the recognized Association became illegal, and forward trading in places outside Bombay was permitted, provided it was confined to delivery contracts in local growths of cotton not covered by the hedge contract of the E.I.C.A., Ltd., Full-time paid sworn Surveyors were also appointed in place of the Survey and Appeal Committees. As regards new classes of members, the Government of Bombay prescribed the following arrangements:—

(1) The E.I.C.A., Ltd., would be required to create a class of new special associate members which would be terminable on 31st August 1950. This provision in the Articles of Association was later deleted.

(2) Only such persons would be eligible for admission to this class as have continued to hold a membership card of the Shri Mahajan Association from a date prior to 1st May, 1947.

(3) Every member of this class should pay a deposit of Rs. 5,000/- and an annual subscription of Rs. 200/-.

(4) The trading rights of each member should be the same as those of a full member of the E.I.C.A., Ltd., subject to the condition that in the event of any party asking for either *havala* or a deposit from a member of this class in respect of any transaction, he should give the *havala* or pay such deposit and subject further to the number of permits admissible to a member of this class he may buy such as may be decided by the Government in consultation with the E.I.C.A., Ltd.

(5) The voting rights of each member would be the same as those of an associate-member of the E.I.C.A., Ltd. Associate and Special associate members might be allowed to elect representatives to the General Body up to 9% of the total strength of such members.

(6) The Government in due course should, and at any rate not later than 31st May 1950, review the position and decide in consultation with the E.I.C.A., Ltd.

- (i) whether this special class should be continued beyond 31st August 1950, and if so, for what period and on what further conditions ; and
- (ii) if it is not be so continued, whether any facility should be given for its absorption in one or more of the other classes of membership of the E.I.C.A., Ltd., and if so; what facilities should be accorded.

This special class has continued to exist even today with the approval of Government.

14. *Incidents of Membership* :—Under the Articles of Association every original member, Associate member, special associate members—Class A and B are bound by the provisions contained in Articles of Association as well as bye-laws. They are liable to be suspended and even debarred from exercising the rights of membership in the following eventualities :—

(a) If being a member of any class he ceases to have a place of business in Bombay. This clause does not apply to Associate Member from the Liverpool Cotton Association and to an associate member who is an Indian citizen having a place of business in India outside Bombay.

(b) If being an Indian citizen as Associate Member—other than an associate member from Liverpool—he ceases to have a place of business in India.

(c) If being a member from any class other than associate member from Liverpool Cotton Associations and not being a principal in a firm established in India he ceases to reside in Bombay or ceases to have full authority to manage the business of a principal engaged in cotton trade.

(d) If being a member from any class he fails to pay any sum due to the Association and continues to violate any provisions of the Articles or bye-laws or fails to comply with the award of arbitrators, umpire or an appeal committee or an order of the Board.

(e) If a member of any class ceases to be an Indian citizen or is declared an insolvent by the Court or becomes lunatic or being a company it goes into liquidation he or it ceases to be a member. If an individual member resigns and his resignation

is duly accepted by the Board he ceases to be a member. The powers of expulsion and suspension conferred upon the Board under the articles are in addition to the powers of expulsion and suspension contained in the bye-laws of the Association. When a member of any class dies or becomes of unsound mind or becomes otherwise incapable of managing his affairs the Board has power to substitute any other member in place of such member subject to conditions and limitations as may be laid down.

Right to nominate an authorised representative

Every member being an individual whether residing in Bombay or not, can nominate as his authorised representative a person who has full authority to conduct his affairs. If he does not nominate he is deemed to have nominated himself.

(a) A firm may nominate one of its partners who is ordinarily a resident in Bombay to be its authorised representative.

(b) A joint Hindu Family Firm may nominate one of its major coparceners who is ordinarily a resident in Bombay to be its authorised representative.

(c) Every other member not being an individual or a firm may do so likewise, but before a person is so nominated he should be ordinarily a resident in Bombay and have full authority to conduct the business of a principal engaged in the cotton trade. The Association would maintain a register of authorised representatives.

Representation of Associate and Special Associate Members Class A and B

The authorised representatives of Associate Members and Special Associate Members—Class A and B are required to elect out of their number representatives who can attend and vote at all meetings of the Association and at all General Meetings of authorised representatives. The number of persons to be so elected is restricted to 9 per cent. of the total number that existed on the 15th day preceding the date fixed for election. The election will take place in the month of June in each year. The Board has power to make rules for the conduct of such elections.

Panels of Members

All members other than associate members and special associate members—class A and B are divided into three panels as follows:—1. Buyers, 2. Sellers, 3. Brokers. The buyers' panel will consist of all those previously included in millowners and exporters' panel; all those who were previously included in the importers' class, commission agents, merchants, jathawallas' panels will be included in the sellers' panel and all those who were previously included in the brokers' panel will come under brokers' panel. With the coming into effect of article 27 every member whether original or new except associate or special associate members—class A and B are included in one or the other of the panels. Each member is required to declare to which panel he would belong and it is the discretion of the Board to admit him to any panel finally. No member can be included in more than one panel. The number of members in any one panel is not restricted.

General Meetings of the Association

The Annual General Meeting is called the ordinary general meeting while all others are called extra-ordinary, which can be convened upon a requisition in writing by 50 persons entitled to attend and to vote at a General Meeting. Fourteen days' clear notice is required for passing an ordinary resolution while 21 days' notice is necessary for passing a special resolution. Thirty authorised representatives of members entitled to be present and vote form a quorum for a general meeting of the association or for a meeting of authorised representatives. If within 20 minutes from the time fixed for holding the meeting a quorum is not present the meeting if called upon requisition would be dissolved but in any other case it would stand adjourned to the same day—not being a Bank Holiday—in the next week at the same time and place and if at such an adjourned meeting a quorum is not present, those present only would form the quorum and would dispose of the business of the meeting. At every general meeting or a meeting of authorised representatives the president and in his absence his vice-president is entitled to take the chair. If neither of them be available within 10 minutes after

the time appointed for holding the meeting the authorised representatives of the members present would choose out of their number a Chairman. The business of the General Meeting would be to receive and consider the statement of income and expenditure, the balance-sheet, and the reports of the Auditors and Directors. The General Meeting would transact any other business which ought to be transacted at it. All other business transacted at the Annual General Meeting and all business transacted at the extra-ordinary General Meeting would be considered as special. At the Annual General Meetings or meetings of authorised representatives, authorised representatives of members, associate members and special associate members—Class A and B, as also the Directors nominated by the Indian Cotton Committee and Forward Markets Commission are entitled to attend and vote. Each person would have only one vote except the Chairman, who will have in addition a casting vote.

The Constitution of the Board of Directors

The Board of Directors consists of 14 directors elected by the authorised representatives ; of such directors :—

- 4 would represent the buyers' panel
- 4 would represent the sellers' panel
- 4 would represent the brokers' panel
- 2 would represent Associate Members and Special Associate Members—Class A and B.

They form the Board of Elected Directors. After the first meeting of annual election the elected directors co-opt one director to represent the general body of members on the Board. Seven directors are nominated to represent the growers of cotton, 3 of whom are nominated by the Indian Central Cotton Committee and 4 by the Forward Markets Commission. These 7 nominated directors not having any dealing in futures contracts may or may not be members of the association. As directors they are entitled to attend and vote at all meetings but they are not entitled to vote in respect of a co-opted director. In certain eventualities mentioned in Article 55 a Director ceases to be a director. Eleven directors in all, 3 each representing the buyers' panel, sellers' panel and the brokers' panel and 2 representing the

associate and special associate members—Class A and B retire annually by rotation but are eligible for re-election. The nominated and the co-opted directors also similarly retire. Any casual vacancy is filled by the directors and the director so appointed would hold office only for the remaining period of the director in whose place he is appointed. Vacancies occurring in different panels would be filled from authorised representatives of those panels only. In case of vacancies occurring in the nominated directors the Indian Central Cotton Committee and the Forward, Markets Commission would fill such vacancies. Six directors form a quorum. A director or the General Manager or the Secretary upon the request of the director, can convene a meeting of directors. The Board has general powers to manage and control the business of the Association and without prejudice to these powers it has the power.

- (a) to purchase properties, rights, privileges or concessions,
- (b) to manage the finances of the Association,
- (c) to enter into contracts on behalf of the Association,
- (d) to establish a clearing house and a Bank and in Insurance Department and to maintain them,
- (e) to appoint various committees such as arbitration committee, daily quotation committee, appeal committee, clearing house committee or trade supervision committee or any other committee and to prescribe their duties and fix their remuneration.
- (f) to appoint and to remove all salaried officials and to determine their powers and duties and to fix their remuneration.
- (g) to provide for the management of the affairs of the Association abroad and to appoint any person to be the Attorney or Agent of the Association.
- (h) to appoint any person to accept and hold him in trust for any property on behalf of the Association.
- (i) to exercise borrowing powers and obtain credits not exceeding 10 lakhs without sanction of the General Body and to execute on behalf of the Association mortgages of charges against the property of the association

- (j) to hold in trust as agents of the Association for the members all sums of money paid into the clearing house.
- (k) to set aside out of the income of the Association a reserve fund to meet contingencies or for maintaining any property or to earmark such sum as may be deemed proper for constituting a provident fund for the benefits of the employees of the Association.

The Board has general powers conferred upon it by the Memorandum and the Articles of the Association to make, alter add to, rescind bye-laws with the previous sanction of the General Body and Forward Markets Commission. The bye-law—making power of the Board covers a wide range of subjects and it is empowered to make bye-laws inter alia for (1) the admission of various classes of members to the association and the clearing house and exclusion, suspension, expulsion and readmission of such members and all other matters incidental thereto, (2) the opening and closing of cotton market and the times during which such markets should be open or closed and for regulating the hours of trading.

(3) The establishment of a Clearing House for the periodical settlement of contracts or differences thereunder and for the passing on of delivery orders and the maintenance and regulation of such a clearing house.

(4) The number and classes of contracts in respect of which settlement should be made or differences paid through the clearing house.

(5) Fixing, altering or postponing settlement days.

(6) Determining and declaring the market rates for cotton of any and every description.

(7) Laying down the terms, conditions and incidents of contracts and the forms of such contracts in writing.

(8) Regulating the making, performance and cancellation of contracts including contract between commission agent and his constituent or between a broker and his constituent or between a jathawalla or mukadam and his constituent or between a member and non-member of a recognised cotton association and the

consequences or insolvency on the part of a seller or a buyer, or an intermediary, the consequences of a breach or omission by a seller or buyer and the responsibility of commission agents, brokers, mukadams who are not parties to such contracts.

(9) Prohibiting specific classes of dealings and the time or times during which such prohibition should operate.

(10) Preventing or dealing with corners or bear raids in any and every kind of cotton transactions and stop or to mitigate undue speculation therein, inimical to the trade as a whole.

(11) Providing for the clearing, insurance, transport, and delivery of cotton by and for members and maintenance of registers and documents by the Association and by the members.

(12) The levy and recovery of subscriptions, fees, fines and penalties and other disciplinary measures including suspension, expulsion, fines and penalties for any breach of bye-laws taken by the Board.

(13) Regulating the course of business in respect of contracts between parties in any capacity.

(14) The settlement of claims and disputes by arbitration and appeals against awards and conduct of surveys and appeals against them.

(15) Provision for the issue of notice in case of adoption of a new bye-law or rescission of old bye-laws.

(16) The appointment of various committees such as the Daily rates Committee, the Survey Committee, the Standing Committee, the Ring Committee, the Clearing House Committee, etc. and fixation of their duties and remuneration and determination of the conditions upon which they are respectively to hold office.

Appointments of Sub-Committees

(1) *The Daily Rates Committee* : For carrying on the work of the Association various sub-committees are formed as mentioned below : A daily rates committee consisting of 24 persons chosen from the members of the Association or their authorised representatives is appointed by the Board and the Committee is divided

into 4 panels each of 6 persons. The business of this panel is to meet daily and fix and register the market rates for different growths of cotton sold under hedge or delivery contracts and also the spot rate for basic cotton under the hedge contract. It is, however, open for the Board themselves to function as the Daily Rates Committee for any period by passing a resolution to that effect. Three members form a quorum. The spot rate for basic cotton under the hedge contract is fixed taking into account—(1) the prices at which the cotton is sold in Bombay spot market, (2) the ruling spot prices of other styles of cotton tenderable under the hedge contract, (3) the spot prices of cotton in interior markets. It is the Board of Directors themselves that fix the rates for contract falling due on the 25th of the delivery month. They register spot rates taking into consideration prices referred to above. These rates are also binding on all parties entering into contracts for sale or purchase. The rates that are fixed by the Daily Rates Committee are subject to the right of appeal to the Board on payment of a fee of Rs. 50/- or any other fee fixed by the Board up to Rs. 100/-. But a rate once fixed and registered by the Board is not open to reconsideration and the rates are said to be on Jaitha terms. The expression "Jaitha Terms" means cotton is available for delivery from a Jaitha or a godown situated in the Cotton Green at Sewri or at such other place in Bombay as may be fixed from time to time. The following allowances are included in Jaitha Terms—(a) In the dry season a seasonal allowance of half a pound per bale for Indian Cotton, Pakistan, African, East African and Sudan cottons sold and approved and one pound per candy in case of other cotton. In the monsoon season double these rates are permissible. (b) A simple allowance at the rate of 10 lbs. for 100 bales. (c) Brokerage allowance to the buyer at 1/4 per cent of the invoice rate except for delivery in the hedge contract.

(2) *The Survey Committee*.:—For the settlement of the disputes regarding quality and appeals therefrom, whole-time paid and sworn surveyors are appointed. A surveyor is appointed because of his sound practical knowledge of cotton, its quality, class and staple. Further a surveyor will not have any dealings direct or indirect in any Forward Market and Cotton Forward

or Ready. A surveyor can be appointed by the Forward Markets Commission also on its own initiative. Normally a surveyor is appointed by the Chairman with the permission of the Forward Markets Commission. The number of surveyors appointed should not be less than 6 or more than 8. When it is not possible to select and appoint the full complement of sworn, whole-time surveyors the Chairman can appoint a part-time sworn surveyor with the permission of the Forward Markets Commission. A surveyor is required to sign a declaration to the effect that he would faithfully perform the duties—the duties of his office without fear or favour and to the best of his ability, knowledge and judgement and that he would agree to be subject to the discipline of the Forward Markets Commission. He is also called upon to give an undertaking that he would not have any dealings in any Forward Market and in cotton, forward or ready. The Board may constitute a Special Committee to make a review of the work of surveyors and advise the Chairman in regard thereto. The functions of the Committee would be purely advisory. It is the Chairman alone that can take disciplinary action against any surveyor with the permission of the Forward Markets Commission, which also removes any surveyor on its own initiative. (a) On each working day all disputes as to quality between a buyer and a seller or between a member and a non-member are referred to surveyors and if they differ as to their awards the matter is referred to a third surveyor known as an umpire. In case of disputes relating to country-damaged cotton unless the parties agree to an arbitration under bye-law No. 133, each party can appoint his nominee—a disinterested person for the settlement of the dispute. If they differ as to their award they can appoint an umpire. Such arbitrators or an umpire must be from authorised or nominated representatives of members. An appeal will lie from an award made under arbitration—except in the case of country damaged cotton—to a panel of 3 surveyors who have not acted before in this dispute. The decision given by the panel of 3 surveyors should be by a majority vote unless they are unanimous. The decision is given in writing and forwarded to the Secretary of the Association. An appeal in the case of arbitration relating to country damaged cotton would lie to the appeal committee consisting of 5 members

appointed by the Board. Every decision of this Committee would be by a majority vote if they are not unanimous. A party desiring an arbitration is required to send the sample to the Secretary at the survey rooms of the Association stating the growth of cotton, the standard box against which it is to be surveyed, against a sealed sample. He is also required to make it clear whether the contract is hedge or delivery; the Secretary then hands over the sample to the two surveyors without disclosing to them the names of parties or whether the disputant is a buyer or a seller, the marks on the bales of cotton submitted to arbitration or any other indicia whereby the names of the parties can be known to the surveyors or the umpire. This procedure is also repeated in the case of appeals. That is how the survey has come to be known as the "Blind Survey." The appeal against the award of the surveyors or arbitrators or an umpire is required to be preferred within the time-limits prescribed by the E.I.C.A. Ltd. (b) All disputes other than those relating to quality or all unpaid claims arising out of transactions of cotton between members or contracts made subject to these bye-laws or in relation to rights and responsibilities of Commission Agents, Mukadams, Brokers, who are not parties to such transactions or covered by any arbitration agreements would be referred for arbitration to two disinterested persons, one to be chosen by each party. If they differ as to their award they can appoint an umpire. If either of the disputants fails to appoint his nominee or if the arbitrators appointed by the disputants fail to make an award or appoint an umpire or if either of the arbitrators dies or becomes incapable of acting or neglects to act the Chairman of the Board of Directors can appoint arbitrators and has also power to appoint umpires as well in the same circumstances upon application and payment of the minimum fee fixed by one of the disputants or upon receipt of the notice by the acting arbitrator or the arbitrators. The arbitrators or the umpire must be members or come from the authorised or nominated representatives of members. The award of any two arbitrators is final subject to an appeal to the Board within 10 days of the publication of the award. The award is to be made in writing stating by whom the arbitration fee, the cost of award and other charges are to be recovered. It would have also to be typed on stamped paper and stamp duty payable

depends on the value of the property to which the award relates. Different scales of fees are fixed for arbitrations relating to quality or country damage and for appeals against awards of arbitrators. Transactions entered into between members subject to these Bye-laws are registered as being subject to the jurisdiction of courts in Bombay for the purpose of giving effect to the provisions of bye-laws. In certain eventualities mentioned in the bye-laws a member of any committee or sub-committee is required to vacate his office.

(3) *Standards Committee* :—The Surveyors are under the instructions of the Board required to prepare three sets of standards, viz. (1) the working standards, (2) the appeal standards, and (3) reference standards, of various grades of cotton of the respective growths tenderable against the hedge and delivery contracts. Similarly, the surveyors are called upon to prepare standard for staple of 13/16" in length of fine M. G. Jarilla (A) cotton and for staples of 23/32" 3/4", 25/32", 27/32", 7/8", 29/32", 15/16", and 31/32" in length. Standards for staples up to and including 7/8" shall be prepared as far as possible from a Jarilla growth and for staples above 7/8" if suitable Jarilla cotton is not available, such standards should be prepared from any suitable variety. For the passing of standards prepared by the surveyors, the Board would appoint a Standards Committee consisting of 8 persons chosen from members or those authorized or nominated representatives. The Chairman will be *ex-officio* Chairman. Four members will form a quorum. Any member of the Association can prefer an appeal against the standard to the Standard Committee on payment of an appeal fee within the times prescribed. The Standards Committee, on hearing the appeal, has power to revise the standards and the majority decision of the Committee is final and binding. Complete sets of standards are kept in possession of the Secretary in the rooms. The working standards are made available to the surveyors and appeals standards to a panel of surveyors for reference in appeals and the reference standards for the use of surveyors to serve as the basis for any revision of the appeal or working standards.

(4) *The Ring Committee* :—For the purpose of regulating the conduct of trading in the ring, a Ring Committee consisting of not less than 6 nor more than 11 members is annually elected. Of these 11 members, not more than 9 are elected by the authorized representatives of members from such members and not more than 2 represent the authorized representatives of associate-members and special associate members Class A and B. The Board of Directors make rules for the conduct of election of the members of the Ring Committee, and if no member is elected to the Ring Committee and if the number of members elected is less than four, the Board can appoint a person or persons to exercise the powers and perform the duties of a Ring Committee, and the person or persons so appointed will hold office for such period as the Board may prescribe. The Board may also cause an election to be held to constitute a new Ring Committee replacing the one already appointed. Four members of the Ring Committee will form a quorum, and the Committee will appoint its own Chairman. Qualifications are provided in the bye-laws for a member to be eligible on the Ring Committee as also the various contingencies in which a person ceases to be a member. It is the business of the Ring Committee to issue permits for the use of the trading ring and no one is permitted as a ring trader to trade in the ring, unless he possesses a valid permit. Permits can be issued to various classes of members as mentioned below :—

See table on Page 96.

The contract entered into by a ring-sub-broker cannot bind any principal until it is confirmed by him. A ring sub-broker has no vested interest in the Association nor is he entitled to trade in his own name, in the trading ring nor to exercise any of the privileges of membership. The Board has power to issue a permit to use the trading ring to a person who is actually engaged in the cotton trade for a period of not less than three years whether as a principal or as an employee on payment of an annual subscription of Rs. 11 in advance :

(5) *The Clearing-House Committee* : For the purpose of facilitating the transmission of documents, and regulating pay-

Type of Member	Qualification	No. of permits	Additional permits	In whose names issued
(a) Ordinary Member being an individual.	(a) To be Citizen of India. (b) Having a principal office in India.	7 (free).	5 at Rs. 5 each.	Member or his authorised representative.
(b) Firm.	(a) Partners are to be citizens of India. (b) Principal Office in India.	7 (free).		
(c) Special Associate member :— (i) Individual. (ii) Firm.	Do. Do.	Do. Do.	Do. Do.	Do. Do.
(d) Special Associate member Class B :— (i) Individual. (ii) Firm.	Do.	1 (free).	3 at Rs. 5 each.	Such member or his representative.
(e) Ring sub-Broker.	Traded as such prior to 1984.	Rs. 11 as annual subscription.		
(f) Associate-member : (i) Individual. (ii) Firm.	To be Citizen of India. Partners are to be citizens of India.	1 (free).	nil.	Such member or his representative as a ring sub-broker.

ments, settlements etc., between contracting parties, a clearing-house is established under a Clearing-House Committee appointed by the Board. It consists of at least five persons from time to time appointed by the Board. The Committee would determine its own quorum, and the period during which members are to hold office. The Board of Directors may fill any vacancy as it occurs. Members of the Association or their duly authorized representatives are competent to become members of this Committee. The functions of the Committee and the method of settlement of claim etc. will subsequently be treated at length.

Physical Equipment

In so far as the physical equipments of the Association are concerned, there are two buildings owned by it : one at Sewri and another at Kalbadevi. The building at Sewri is designated as 'Cotton Green' with warehouses and storage spaces around it. It is conveniently situated for doing business in spot cotton. It contains buyers' rooms, sellers' rooms, a large trading hall and a spacious room for examination of samples brought as a result of reference to arbitration in case of disputes between the buyer and the seller. The imposing building at Kalbadevi, is known as 'Cotton Exchange' where trading in futures is carried on. Kalbadevi is the hub of trading activities in Bombay, as there are other markets nearby dealing in silver, gold, grain, cotton yarns seeds etc. The building at Kalbadevi is made up of a basement, a ground floor with two galleries and six upper floors. The trading ring is located on the ground floor. There are telephone cabins constructed for members on both sides of the ring on the ground floor and in the two galleries. The top floor accommodates the clearing-house and administrative offices. The remaining five floors contain 113 rooms for members' offices. On the first floor, there is a visitor's gallery on one side of the ring and on the other side there is a bridge for posting quotations of prices.

Trading in the Ring

On every working day from 12 noon to 5 in the evening, a regular seramble for business goes on in the ring. For a lay-

man and an outsider, it becomes difficult to believe that business in several lakhs is carried on amidst what seems to be a "Welter of noise and meaningless gestures". The traders have their own code of language and gestures peculiar to their ring. Every word and movement of fingers are interpreted with the accuracy of a machine. The sellers make known their offers by uttering the word 'Lyo'. They thrust their hand in a forward movement and indicate the number of units they want to sell by as many fingers. The buyers indicate their price, by uttering the word 'Dyo'. By an inward movement of hand, they indicate, by fingers, the number of units they would purchase. The buyers and sellers shout their bids to the top of their voice and not a single offer is missed, it may be surprising to note, by the trained eyes and ears of the ring traders. In the centre of each of the two opposite walls of the trading hall, there is an iron bar with a bench below on the ground. The more active traders stand on the bench and clasp to the bar with one hand to keep their stand against the violent response they attract. The Prices are quoted in rupees and sixteenth of a rupee, per candy of 784 lbs. There the limits fixed on daily price changes and the floor and ceiling prices are fixed in case of different varieties of cotton. Prices can fluctuate only between the lowest and the highest level in a given day or for a given position in the contract. Orders for futures come not only from all parts of India but also abroad up to the extent of exports permitted by the Government. Members generally work in two capacities, viz., trading on their own account and/or for clients. In either case, a members has to give an order for execution in the ring to one of his authorized representatives. If the order for buying or selling is to be executed at a particular limit of price, the representative remains in the ring and watches the market. As soon as the order is executed, the transaction is noted down in a pocket diary or a slip book maintained by the parties. The transaction is then confirmed orally. The next morning the representatives usually meet together and a signature is taken in confirmation of the transaction. The members are supposed to insist on a margin from their constituents or non-members and what amount of margin should be taken is not definitely prescribed, but it is a matter of mutual arrangement between the parties.

But it may be noted that every member is called upon to pay to the settlement account of the Association with the State Bank. by way of margin, a deposit on the net open position in respect of hedge contracts entered into by him, during the working days for the period for which settlement rates are fixed for such settlement according to a graduated scale dependent on the number of bales involved. There is a system of *hawalas* in force which is resorted to in case a party entertains any doubt in regard to the financial standing of the opposite party, particularly if the latter is an associate-member. The business book maintained by a member of the E.I.C.A. Ltd., provides for all relevant entries regarding buying on the right hand side and for selling on the left hand side of the page. The clients' business is done either on the basis of margin or a settlement basis. In the former case, accounts are closed when transactions are closed or when the client desires to close the account. If in the meanwhile, before the accounts are closed, the market goes against the client, the member then calls for recoupment of the shortfall in the margin, if any. If the client, however wants to keep the business outstanding, he must have to comply with the request of the member regarding the margin. If he does not, the member is at liberty to close the transaction when he thinks fit without giving any further notice to the client. When business is transacted on the basis of settlement the member prepares a statement of account of his client at the time of the periodical settlement, taking the settlement rate as the basis and payments are received or made accordingly. If any business is outstanding at the time of settlement, the settlement rate is taken into account in calculating the difference in price between the contract rate and the settlement rate. The outstanding business is carried forward then at the settlement rate.

Trading in Hedge Contracts

Trading in hedge contracts on trading days other than Saturdays and half holidays takes place only between 12 noon and 5 p.m. and on Saturdays and on half-holidays between the hours of 12 noon and 3 p.m. It may be noted that trading is permitted on the three Diwali holidays, on the Union Budget Day and on American Cotton Bureau Report Days during hours prescribed

by the Board. A forward contract as defined in the Forward Contracts Regulation Act, 1952, means a contract for the delivery of goods at a future date and which is not a ready delivery contract. This is also known as the 'Hedge or the Futures contract' which does not visualise actual delivery of goods except in a residual sense and is entered into, as already mentioned, in terms of a basis quality. The future contract and the transferable specific delivery contract, in so far as the intermediate buyers and sellers are concerned, are settled by payment of differences in price between the buyer and the seller. The transferable specific delivery contract occupies a position intermediate between the non-transferable specific delivery contract and the forward or the hedge or the futures contract. It need not be imagined that futures contracts are mere paper transactions squared up by payment of differences in price. Purchases and sales or futures do not always balance each other and every one cannot square up his position. Some one has to give delivery and some one has to take it. The hedge contract referred to in the bye-laws of the E.I.C.A., Ltd., is nothing but a contract in futures. Under the provisions of the Forward Contracts Regulation Act, trading in the hedge contract was permitted with effect from 12th December 1952 by the Central Government, subject to the concurrence of the Government of Bombay and fulfilment of certain conditions mentioned below :—

(1) *Months of delivery.*—February, May and August.

(2) *Delivery period.*—From 1st to the 25th of the month, i.e., tenders of cotton should be permitted from the first day of the month of delivery up to 25th.

(3) *Restrictions in Trading during Delivery Period.*—No fresh trading in the contract for delivery during that month is permitted except for the purpose of squaring up long or short position in the contract.

(4) *Due date rates are.*—Fixed by the Board, taking into consideration the facts mentioned under Bye-law No. 31(2) for fixing daily spot rates during the delivery period.

(5) *Enforcement of Margin on the Indian Cotton Contract reaching certain Level.*—An emergency would be automatically declared when contract prices for basis Jarillas are Rs. 25/- above

basic floor or Rs. 25/- below basic ceiling, that is to say Rs. 575/- or Rs. 795/- per candy for basic Jarilla. As soon as the emergency is reached, the Association should commence taking deposit at Rs. 35/- per bale on all purchases near the ceiling, and all sales near the floor.

(6) *Closing of Outstanding Contracts.*—The Textile Commissioner would reserve to himself the right to close the hedge operations in consultation with the E.I.C.A., Ltd., and the F.M.C., if they resulted in situation detrimental to the larger interests of the country's economy. He would then fix the prices and all outstanding contracts would be squared up at prices so fixed.

(7) *Obligations in the event of De-control.*—If at any time during the season, Government decontrolled cotton, the hedge markets should continue and obligations met unless the Textile Commissioner stopped hedge trading.

(8) *Schedule.*—It is now 13/16" fine M. G. Jarilla 25/32" staple as basis of the Indian Cotton Contract. "Jarilla" as defined in the Schedule to Cotton Control Order means cotton recognized as such and grown in Nasik, Bijapur, East and West Khandesh (excluding Nandurbar and Nawapur Talukas), Sholapur, Ahmednagar, and Poona Districts of the Bombay State and the States of Madhya Bharat, Madhya Pradesh, Bhopal and Hyderabad and includes Verum, M.P. Cambodia, M.B. Cambodia, M.B. Upland, Virnar 197-3, Gaorani (Bani), Malvi, Bhoj, Pratap (Certified), H.-420, Buri American, Parabhani-American, and Gaorani 6 and 12, which do not conform to the proviso contained in the Control Order to the definition of such cotton in clauses (aa), (v), (w) and (x) respectively of this paragraph.

(9) Other varieties of Indian Cotton include those for which floor and ceiling prices have been fixed under the Cotton Control Order, 1950, issued by the Textile Commissioner, Bombay. Hedge contracts were also defined to mean forward contracts entered into by the members of the E.I.C.A., Ltd., who were entitled to the use of the Clearing-House of the Association. When such contracts are made in accordance with the rules and the bye-laws of the Association, they are officially recognized in the market. The necessary amendments to the bye-laws of the Association

were approved by the Government of Bombay and duly notified and the Board of the E.I.C.A., Ltd., permitted trading in the new crop hedge contracts for the season 1952-53, with effect from 12th December, 1952. Thus for the first time, for the purpose of trading in futures, the system of only one hedge contract designated as the Indian Cotton Contract came to be introduced. Thus an acute controversy on the subject which was going on in the past for a quarter of a century came to an end. It should be remembered that in the very nature of the Indian Cotton crop an ideal hedge system is impossible of achievement. The Indian cotton cultivator even now grows in many parts of the country, short-staple cotton which cannot be made tenderable against the hedge contract. The exclusion of short-staple cotton depresses the prices of these styles. If however, the short-staple cottons were made tenderable against the hedge contract, the buyer would naturally be scared away, because he does not know, if it comes to taking delivery, what growth of cotton he would get and cotton tendered may also be quite useless for his purposes. Again, he cannot also calculate with accuracy what amount he would have to pay because the difference in price between the lowest and the highest quality of cotton would range from 150 to 300 rupees. He will not, therefore, touch such a risky contract. It is obvious that nobody would like to make a contract for delivery of vehicles in which may be delivered a bullock-cart or a victoria gharry or even a fine motor-car. It is not possible to give the grower of cotton a proper hedge contract unless all the main growths of cotton are made tenderable against one or the other of the contract. The solution suggested by the Forward Market Commission in this connection is that facilities for futures trading should be provided at different centres in the principal cotton-growing regions of the country. According to the opinion of the Forward Markets Commission, a single centre is not likely to serve adequately the needs of different areas and of different varieties of cotton. In support of this view, the following reasons are given by the Commission:—

- (1) The facilities of transport and means of communications such as the telephone and the radio are not sufficiently developed

in different parts of the country and have not also achieved the necessary degree of efficiency.

(2) The movement of stocks from centres of production or surplus regions to those of consumption or deficit centres is generally slow.

(3) The credit, insurance and warehousing facilities in the country leave much to be desired.

(4) The collection of economic intelligence and its dissemination through the countryside is not yet organised on satisfactory lines.

(5) The proportion of illiteracy is high and the producers are not vigilant.

(6) The small traders are as a class yet unorganised.

(7) The spirit of co-operation among different interests has yet to develop, and a sense of responsibility still remains to be fostered.

Thus the establishment of a single centre of hedge-trading is looked upon with disfavour by the Commission, as it apprehends that a single centre is apt to arrogate to itself too much authority by the very fact of its singleness and would prove also less responsive to regulation. Thus the Commission is in favour of establishing judiciously located centres in the important producing and consuming centres. In the opinion of Commission, the distinct advantages that would follow are:—

(1) The system will not only provide hedging facilities but would also educate such areas in the technique of forecasting price variations—which at present is the monopoly of a single institution.

(2) It will encourage local interests to co-operate with each other in safeguarding the interests of such regions.

(3) The new centres will be more responsive and would be amenable to advice and regulation.

(4) The transactions in such centres, being in small quantities would be less liable to produce violent jolts and jerks.

(5) The existence of many centres will enable the regulating authority to make experiments with different techniques of regulation and evolve suitable techniques for individual centres.

When a centre is opened for such trading, the Commission considers it necessary and vital to impose the following obligations on it:—

(a) The convenience of other competing centres within the region will also be looked to and all facilities for them provided.

(b) Delivery against the contract and facilities for survey and arbitration of disputes should be provided.

(c) The entire crop grown in the region must be made tenderable at the centre and the tendering differences should be fixed in a manner which would cause no hardship and involve no discrimination.

The commission has laid down certain broad principles regarding the procedure to be followed before forward trading is permitted. These principles regarding the procedure are:—

(1) The basis of the contract should be laid down in such a way that it would represent fairly the production of the neighbourhood and the varieties traded in the market.

(2) The varieties tenderable should include, as far as possible, all the indigenous varieties produced, so that no stockist would remain without protection of hedging facilities.

(3) The unit of contract should be so fixed as would be within the means of the operators.

(4) The number and duration of contracts should be adjusted to the seasonal character of the production of the commodity traded in so that hedging facilities might be available continuously throughout the year.

(5) The opening of the contracts should be so timed as to provide an indication of the prospective prices before during and after the sowing and harvesting operations.

(6) The closing of the contract should be so timed as to coincide with the movement of the crop, so that delivery can be given, if required.

(7) The duration of the contracts should not be unduly long lest speculative forces should distort the trend of prices.

(8) The different contracts would be spread evenly over the year and the duration of each should be timed on the basis of the marketable surplus likely to be available at the delivery period.

(9) The contracts should be traded in a specious well-designed ring equipped with cabins and telephone facilities for the members.

(10) Trading should be permitted within specified hours of business and stringent action taken to prevent trading outside the official hours, and all hedge transactions should be reduced to writing.

(11) The settlement of the contracts should be effected through a clearing-house administered by an independent agency like a bank.

(12) The settlement should be effected every week and in special cases, even at more frequent intervals.

(13) The facilities for survey should be organized through expert and independent surveyors on the staff of an Association.

(14) The machinery for arbitration of disputes should be so devised as would give a full and fair hearing to the parties, bring to bear an expert and disinterested judgment on the issues involved and finally result in a speedy award.

Hedge Trading for 1954-55

The New Indian Cotton Contract.—A notable event of the 1954-55 cotton season was the reform of Hedge-Trading in cotton. During 1954-55, trading in the new crop hedge-contracts for February and May deliveries was permitted with effect from 7th October and 4th December 1954 respectively. Permission for

trading in hedge-contracts for August 1955 delivery was given by the Forward Markets Commission, after Bye-law 55, regulating the method of fixing tendering differences, had been properly amended. In January, 1955, the Board of the East India Cotton Association, Ltd., invited suggestions from members for revision in the hedge contract for the 1955-56 season under the following heads:—

(a) Basis of the contract, including desirability or otherwise of more than one contract.

(b) The range of varieties, grades and staples tenderable under the contract, indicating the places or districts of growths.

(c) Premia and the discounts against contract at which varieties other than basic can be tendered and the manner of their fixation, and application of weightage, if any.

(d) Delivery periods.

(e) Any alteration in the existing bye-laws in order to facilitate better functioning of the contract.

A Sub-Committee was appointed by the Board in March, 1955 to consider the suggestions received from members and to make their recommendations in the matter. The Recommendations of the Sub-Committee were accepted by the Board. As per these recommendations, hedge-trading would continue to be regulated on the basis of a single hedge contract, the most prominent features of which are:—

(i) All varieties tenderable under the hedge contract would now be tenderable only up to $2/32''$ 'on' and $1/32''$ 'off' for staple.

(ii) In the case of basic cotton (Jarilla A), the present basic staple of $25/32''$ is raised to $13/16''$ tenderable up to $7/8''$ with a tolerance of $1/32''$ 'off' for staple.

(iii) As $3/4''$ Jarilla would also be tenderable as at present, it is decided to split up Jarilla into categories as 'A' and 'B'. Under 'B', $3/4''$ Jarilla would be tenderable without tolerance and without any 'on' allowance for staple.

(iv) A separate standard for Rajpipla and Jhagadia cotton is also created with 27/32" as basic staple.

(v) Similarly, Jayadhar and Laxmi Cottons have been divided into two groups as 'A' and 'B'.

Since no commercial crop as 4F cotton is grown at present. Punjab-American 4F is *deleted* from the schedule as also Kumpta cotton. The hedge schedule has also been revised accordingly. (*vide* Appendix No. 1 for New Hedge Schedule). The other recommendations as accepted by the Board, which involve alterations in the existing provisions of the bye-laws, and which will be summarized hereafter, are as under:—

(i) *Upcountry delivery*: The present charge of 1/4% by way of commission payable by the seller to the buyer taking delivery upcountry is increased to 1%. The list of places for upcountry delivery is not disturbed for the present, but the places are adjusted so as to conform to the revised Hedge Schedule.

(ii) *Fixation of Rates under Bye-laws 31, 32 and 52B*: Amendments to these Bye-laws have been made at the instance of the Forward Markets Commission, and they relate to the *deletion* of the reference to "succeeding deliveries of the hedge contract" in fixing rates under these bye-laws. Bye-law 52B dealing with emergencies is also similarly amended.

(iii) *Prohibition on fresh trading during delivery period*: The existing prohibition on fresh business on and after the first day of the delivery period for trading in such contract during the delivery period, except for liquidation purposes, is done away with.

(iv) *Tenders of old cotton crop*:—Tenders of old crop (Southern Cottons) during the February delivery period, i.e., first delivery period of the hedge contract, have been discontinued. The existing provisions regarding delivery months weightage, tender days, tendering differences, emergencies, unit of trading, invoicing back rate in respect of tenders made on the due date and rejected in survey, rejection penalty of Rs. 3/- per candy, standards and surveys and appeals remain in force as hitherto.

fore. The recommendations of the Sub-Committee in regard to the amendments to the bye-laws were forwarded to the Central Government through the Forward Markets Commission and they were approved by Government by their Notification dated 23rd July, 1955. The Government further accorded permission for trading in the New Crop Hedge Contract for February 1956 delivery. Trading in February, 1956 delivery was permitted with effect from 25th July, 1955, subject to the amendment to the bye-laws referred to above. Trading in new crop delivery contracts for the season 1955-56 was also permitted from that day. In June, 1955, Government announced that the status quo be maintained in regard to the present floor and ceiling prices for 1955-56 season, i.e., Rs. 495 and Rs. 820/- for Indian Cotton Contract Fine M. G. Jarilla 25/32" staple. (*Vide* schedule attached).

As already mentioned, for the purpose of hedging, there is only one contract styled as the Indian Cotton Contract. The basis of this contract is Fine M. G. Jarilla (A) Staple 13/16" as per standard to be prepared from Jarilla cotton grown in Khandesh Districts of the Bombay State or in the States of Madhya Pradesh, Madhya Bharat or Hyderabad, tenderable up to two classes 'on' and one class 'off' for grade and up to 2/32" 'on' and 1/32" 'off' for staple, 'on' and 'off' for Grade and 'on' and 'off' for staple. The descriptions of cotton and their respective basic staple lengths tenderable under the Indian Contract are as specified in column 2 of the Hedge Schedule; the maximum staple lengths tenderable are as specified in column 3 of the Hedge Schedule (*vide* Appendix No. 2). The following standard samples for class are required to be prepared for each of the descriptions specified in column 2 of the Hedge Schedule:—Extra-superfine, Superfine, Fine (Basis), Fully Good and Good to Fully Good (half a class of Fully Good).

Cotton below the standard "Fully Good" is rejected. The following standards for staple are required to be prepared:—

23/32", 3/4", 25/32", 27/32", 7/8", 29/32", 15/16". and 31/32."

Conditions of Valid Tender

(a) Against the Hedge Contract shown in column (1) of the Hedge Schedule the contracts shown in the corresponding column (2) and the cotton pressed only at or grown in the vicinity of the places enumerated in the corresponding column (4). (subject, however, to such modifications to the Hedge Schedule as the Board may make from time to time) shall alone constitute a fair tender; provided that—

- (1) The cotton shall be of the description sold.
- (2) Each unit of 50 bales tendered shall be of one and the same description of cotton.
- (3) Each bale shall bear the Special Marks prescribed for the factory in which it is pressed in conformity with the provisions of the Cotton Ginning and Pressing Factories Act 1925, and the Rules thereunder.
- (4) The staple length is not less by more than $1/16''$ than the staple length specified in column (2) of the Hedge Schedule and applicable to the cotton tendered.
- (5) The cotton shall comply with bye-laws Nos. 56, 86 and 87.

On failure to fulfil any one of these conditions a tender shall be held to be not a fair tender and will be liable to the consequences provided under these bye-laws.

Explanation.—For the purpose of proviso (2) hereof a tender cannot be made of 25 bales of jarilla and 25 bales of Vijay. The whole 50 bales tendered must be either of Jarilla or of Vijay.

(b) In the event of any bale not bearing any special marks, such bale may be rejected by the buyer and he would be entitled to such amount by way of a penalty as may be imposed by the Board from time to time. Subject to the condition that a fixed penalty of Rs. 12-8-0 for the whole unit of 50 bales, tendered with marks not sufficiently clear to locate the origin of such bales is levied. The buyer on his part has to weigh over and accept delivery of each unit of 50 bales tendered that will comply

with conditions contained in sub-clause (a) above, unless any such bale or bales be rejected.

Delivery Upcountry and Unit of Tender

The unit in the hedge contract is fixed at 50 bales and the seller has the option of delivery cotton upcountry in accordance with the conditions laid down in Bye-law 54 (B), and if he elects to deliver upcountry, he can do so by specifying in the Clearing House Delivery Order Form. Delivery upcountry is permitted in the case of the following descriptions of cotton at the places shown, styled as 'Places tenderable'. The Board has power, from time to time, to modify the schedule. The latest position in this respect is given below:—

<i>Description of Cotton</i>	<i>Places Tenderable</i>
M. G. Jarilla (A)	Jalgaon, Pachora, Dhulia, Khandwa, Wardha, Nagpur, Wun, Akola, Amraoti, Karanja, Yeotmal, Khamgaon, Malkapur, Ujjain, Indore, Hingoli.
M. G. Jarilla (B)	Ahmednagar, Jalna, Sailu, Aurangabad.
M. G. Dhollera	Morvi, Dhrangadhara, Manavadar, Surendranagar, Anjar.
M. G. Rajasthan American	Bijainagar.
M. G. Kalyan including Kalyan (certified grow in Saurashtra).	Ahmedabad, Viramgam, Kadi, Bavla, Dhandhuka.
M. G. 'Western	Adoni, Bellary, Raichur.
M. G. Vijay	Broach, Dabhoi, Kapadvanj, Miyagam.
M. G. Ankleshwar	Jhagadia, Kosamba.
M. G. Surti	Surat, Navsari, Bardoli.
R.G. & S.G. P/American L.S.S.	Abohar, Fazilka, Giddarbaha, Muktasar, Malout, Sri Ganganagar.

<i>Description of Cotton</i>	<i>Places Tenderable</i>
216F	Abohar, Fazilka, Muktasar, Malout, Giddarbaha, Tarn Taran, Khanna, Kotkapura, Kaithal, Hansi, Dhuri, Nabha, Rampura Phul.
R.G. & S.G. P/American 320F	Abohar, Fazilka, Muktasar, Malout, Giddarbaha, Tarn Taran, Khanna, Kotkapura, Kaithal, Hansi, Dhuri, Nabha, Rampura Phul, Sri Ganganagar.
M. G. Jayadhar (A)	Hubli, Gadag.
M. G. Jayadhar (B)	Bagalkot, Bijapur.
M. G. Laxmi (A) including M.A.S.	Gadag, Hubli.
M. G. Laxmi (B)	Bijapur, Bagalkot.
M. G. Gaorani 6 and 12	Nanded, Hingoli, Latur, Umri, Parbhani.
M. G. Buri/American	Amraoti, Yeotmal, Khandwa.
M. G. Parbhani/American	Adilabad.
M. G. Cambodia	Tirupur, Coimbatore, Virudhunagar.
M. G. Karunganni	Tuticorin, Coimbatore.

The buyer can make payment by way of a cheque drawn on any one of the following banks but is not relieved from fulfilling his obligations until the seller obtains payment from the Bank:—

- (1) The State Bank of India
- (2) The Bank of India, Ltd.
- (3) The Allahabad Bank, Ltd.
- (4) The United Commercial Bank, Ltd.
- (5) The Lloyds Bank, Ltd.
- (6) The Central Bank of India, Ltd.
- (7) The Union Bank of India, Ltd.
- (8) The Bank of Baroda, Ltd.
- (9) The Hyderabad State Bank, Ltd.
- (10) The Mercantile Bank of India Ltd.
- (11) The Devkaran Nanjee Banking Corporation, Ltd.
- (12) The Punjab National Bank, Ltd.
- (13) The Provincial Co-operative Bank, Ltd.

The Board has the power to *delete* the name of any Bank from the above list or add the name of any Bank at its discretion. The conditions, subject to which delivery upcountry is permitted as mentioned in Bye-law 54B are:—

(i) It is restricted to the descriptions of cotton and the places tenderable mentioned above.

(ii) The cotton to be delivered upcountry is required to be protected and stored in a godown by the seller and all facilities for sampling shall be afforded by the seller to the buyer.

(iii) The buyer shall draw samples for the purpose of surveys in the presence of the seller from two bales out of every fifty bales tendered and stored within seven days (or such further time as may be granted by the Board) from the date of the delivery order; such samples are required to be sealed in the presence of the seller and of buyer and delivered to the seller who should despatch the same to the Association by Railway parcel not later than the third working day following the day upon which the samples are drawn.

(iv) Arbitrations in such cases are arranged by the Board as soon as may be found convenient after the arrival of the samples in Bombay.

(v) The buyer shall arrange to weigh over and take delivery of the cotton within a fortnight after the cotton is finally approved of whether by the parties or in arbitration or on appeal or if no arbitration is held, then the buyer should arrange to weigh over not later than the period of a fortnight from the date of tender of the delivery order and should complete taking delivery within a fortnight of such date. In default on the part of the buyer, the seller may, after 48 hours' notice, weigh over the cotton at the expense and risk of the buyer who should then pay for it with interest at 9% per cent per annum plus 8 annas per bale for weighing charges and such further charges for Fire Insurance and Rent as may from time to time be fixed by the Board, failing which, the seller has a power of re-sale on account and at the risk of the buyer, which he is required to exercise within fifteen days after the final approval.

In the event of the seller refusing to give delivery of bales which have been approved or arbitrated on, the buyer shall have the right after giving 48 hours' notice, in writing, of invoicing back at the market rate of the day on which the notice expires plus such penalty not exceeding Rs. 50/- per candy as may be fixed and imposed by the Board or of purchasing in the market at a reasonable rate on account and at the risk of the seller. Due intimation of such purchase should be given by the buyer to the seller. In the event of the buyer not intimating such election to purchase within the time aforesaid or having elected to purchase and not doing so within 24 hours of such intimation, he should be deemed to have invoiced back at the market rate on the third day after the day upon which delivery was refused. All purchases on account and at the risk of the seller should be subject to arbitration on the question of price, provided the seller should have communicated, his objection to such purchase in writing to the buyer within 48 hours after the receipt by him of intimation of such purchase. In any such arbitration, the room rate of the cotton contracted for and the 'on' and 'off' difference fixed under Bye-law 55 would be taken into account.

(vi) If the buyer has paid for the cotton, the seller should, at the buyer's request, provide storage facilities free of rent for a period not exceeding two months from the date of delivery.

(vii) Cotton to be delivered upcountry should be delivered F.O.R. to Bombay and the seller should pay the following charges to the buyer as well as octroi, if any, payable on the cotton and also should make good to the buyer any export duty as a result of the seller exercising his option to tender the cotton upcountry:—

(a) As. 12 per bale by way of cartage or the actual cartage incurred, whichever is lower, if the place where the cotton is to be delivered has a railway station nearby, i.e., is situated within a radius of two miles from a railway station.

(b) Re. 1/- per bale by way of cartage or the actual cartage, whichever is lower, if the place is in the interior, i.e., ten miles or less from a railway station but more than two miles therefrom.

(c) Rs. 1-8 per bale or the actual cartage incurred whichever is lower, if it is over ten miles but up to 15 miles.

(d) Rs. 2/- per bale or the actual cartage incurred whichever is lower, if it is 15 miles from a railway station.

(e) 1 per cent. by way of commission to cover the expenses for drawing samples upcountry.

(f) 1/8 per cent. or such other rate as may be fixed by the Board from time to time on account of transit insurance.

(g) Rs. 7-8 per candy or such other sum as may be fixed by the Board from time to time on account of Jaitha charges.

(h) The last buyer on taking delivery upcountry should give a certificate to the seller that the cotton is intended for resale, or for export outside the State, where he takes delivery, failing which he should pay the first seller sale or purchase tax, if any, payable by the seller in the State where delivery upcountry is taken.

Tendering Differences

(a) (Bye-law 55). Differences between basic cotton and other descriptions of cotton tenderable and for class or grade, are as shown below.

(b) "On" allowance for staples of $1/32''$ and $2/32''$ above the staple lengths specified in column 2 of the Hedge Schedule, but

(1) up to $7/8''$ for basic Jarilla (A), Vijaya, Kalyan, Punjab-American L.S.S., R.G. & S.G., Western and Karunganni;

(2) up to $29/32''$ for Ankleshwar, Punjab-American 320F R.G. & S.G. and Jayadhar (B);

(3) up to $15/16''$ for Gaorani 6 and 12 Surti, Punjab-American 216F, R.G. & S.G., Jayadhar (A) and Laxmi (B); and

(4) up to $31/32''$ for Laxmi (A) and Cambodia.

(c) "Off" allowance for staples of $1/32''$ and $2/32''$ under the staple lengths specified in the Hedge Schedule, are fixed on or about the 25th of the month preceding the commencement of

a delivery period. For the purpose of fixing such differences the Board shall appoint a Special Committee consisting of seven persons actively connected with the spot market and representative of all Panels. Five members of the Special Committee shall form a quorum and in the event of a quorum not being available, the Chairman or in his absence the Vice-Chairman of the Board shall appoint a duly qualified person or persons to enable a quorum to be formed. In the event of a member of the Special Committee being granted leave, the Board shall appoint a duly qualified person to fill the vacancy during the absence of such member on leave. The tendering differences fixed by the Special Committee shall be subject to a right of appeal to the Board on payment of an appeal fee of Rs. 100/-, provided the appeal is lodged with the Secretary within two working days from the date of the notification of the tendering differences so fixed. If the Board in such appeal shall modify any such difference and if in their opinion such modification necessitates consequential modification of any other differences fixed by the Special Committee, they shall have power to do so notwithstanding that no appeal against any such other differences has been preferred to them. The tendering differences fixed by the Special Committee. Subject to as modified in any appeal by the Board, shall be applicable for all tenders of cotton against the Hedge Contract during the succeeding delivery period. The Special Committee and in the case of appeal, the Board shall fix the tendering differences on the basis of the prices at which the basic and other descriptions of cotton tenderable are sold in Bombay spot market, taking also into account the spot prices of the respective descriptions of cotton in the interior markets.

All appeal fees payable under this Bye-law shall be credited to the funds of the Association. In the event of an appeal being successful, the entire fee shall be refunded to the appellant.

It may be noted that the premiums and discounts for tendering differences on descriptions as fixed above are subject to weightage of 6½%.

(a) If the staple length of the cotton tendered is more than the staple length specified in column (2) of the Hedge Schedule

for such cotton, the buyer shall be entitled to a discount of $6\frac{1}{4}\%$ of the 'on' allowance fixed under Bye-law 55 for the particular staple tendered upto a limit of the staple length of such cotton specified in column (3) of the Hedge Schedule and the seller shall be entitled only to the balance.

(b) If the staple length of the cotton tendered is less by not more than $1/16''$ than the staple length specified in column (2) of the Hedge Schedule for such cotton and the buyer is bound or elects to take the cotton under Bye-law 61, the buyer shall be entitled to the 'off' allowance fixed under Bye-law 55 for the particular staple tendered and also to $6\frac{1}{4}$ per cent of the net amount arrived at after deducting the 'off' allowance from the tendering difference fixed for such cotton.

(c) The basic cotton $13/16''$ only as well as class differences awarded in arbitration on styles shall be excluded from the above restrictions.

Provided that in no case shall the buyer pay less than the floor price or more than the ceiling price of the description tendered, as may have been fixed for such description under the provisions of the Essential Commodities Act, 1955.

Trading in New Crop Hedge Contracts

For trading in hedge contracts in new crop in any one year, the Board is empowered to fix a date, such date being later than the first day of May of the preceding year, with the previous approval of the Forward Markets Commission, provided that the Textile Commissioner, so long as the Cotton Control Order, 1955, issued by the Government of India remains in force, gives permission to enter into or trade in hedge contracts. Until such permission is obtained and the decision of the Board is made in regard to such trading from the date fixed by it, such date being later than May, no member of the Association is entitled to enter into hedge contracts in the new crop for the succeeding year. Similarly delivery contracts in the new crop cannot be entered into before such date, as may be fixed by the Board, under permission obtained from the Textile Commissioner. All hedge and delivery contracts are subject to the floor and ceiling prices, if any, fixed under the provisions of the Essential Com-

modities Act, 1955. Under the provisions of Bye-law 47, the Forward Markets Commission approved of trading in new crop hedge contracts for February 1956 delivery. Trading was permitted by the Board with effect from Monday, the 25th July, 1955. Thus trading in new crop hedge contracts for February 1956 delivery commenced accordingly with effect from that date. Under Section 6 of the Forward Contracts Regulations Act, 1952, the Central Government, in consultation with the F. M. Commission, has also conveyed its recognition to the E. I. C. Ltd., under provisions of Section 5 of the said Act on a permanent basis in respect of forward contracts in Indian cotton in the whole of India. In exercise of the powers conferred by Section 3 of the Essential Commodities Act, 1955, the Union Government issued the Cotton Control Order, 1955, under S.R.O. 1511, dated 13th July 1955, and in exercise of the powers conferred upon him by Clause 6 of the Cotton Control Order, 1955, (*vide* copies enclosed), the Textile Commissioner excluded from the operation of Clause 4 of the said Order certain descriptions of contracts relating to Indian cotton produced during the cotton season of 1955-56, viz., ready contracts, delivery contracts and hedge contracts for February 1956 as per Notification No. S.R.O. 1613, dated 22nd July 1955. Bye-law 47(A) prescribes that in case the prices at which cotton may be bought or sold ceases to be controlled at any time under the provisions of the Essential Commodities Act, 1955, all outstanding hedge and delivery contracts have to be performed in their entirety, but if on any day at the close of business in the Trading Ring, the price of the hedge contract has risen above Rs. 25/- below the ceiling price (which price of Rs. 25 below the ceiling price is known as "Marginal Line"), the Chairman is required to cause a notice forthwith to that effect to be posted on the notice-board and every member is required on the day following to deliver to the clearing-house a statement showing his outstanding purchases as on the day of the notice and to pay into the clearing-house deposit calculated at Rs. 35/- per bale on the number of bales shown in such statement. After the posting of such notice every member has to deliver daily to the clearing-house a statement showing the purchases on the preceding day and to pay into the clearing-house a deposit calculated at Rs. 35/- per bale on the

number of bales shown in such statement as having been purchased above the marginal line. If in any such statement a purchase is shown as having been effected below the marginal line and if at the close of business on any day in the Trading Ring, the price of the hedge contract rises above the marginal line, then on the first occasion on which that happens, the member concerned has to pay into the clearing-house a deposit calculated at Rs. 35 per bale on the number of bales contained in such purchase. It may be noted that this bye-law is not applicable in respect of purchases effected by a member to cover a short position and no deposit in consequence may be made. Similarly, if on any day at the close of business in the Trading Ring price falls below Rs. 25 above floor price (this price of Rs. 25/- above the floor price is referred to as the marginal line), the Chairman is required to take a similar step as mentioned above and every member is similarly required to pay deposit of Rs. 35/- per bale into the clearing-house on the number of outstanding bales and to furnish a statement showing such sales on the day of notice. After the posting of notice by the Chairman, every member is required to file a statement showing his sales on the preceding day and pay into the clearing-house a deposit of Rs. 35/- per bale on the number of bales shown in such statement. But a member is, however, exempted from the obligation of making deposit in respect of sales effected by him to liquidate a long position. It may be noted that the Board has power to prescribe the form and contents of any statement to be submitted and to require any member to produce his books of accounts relating to the transactions shown in the statement submitted. The amount of deposit kept by a member with the Association in the clearing-house shall not be repaid until the day following the last delivery date of the delivery month of the contract, nor does it bear interest against the Association. Speculative transactions known as Kutchá Khandy and Gutchá Americans and Indore Dharas and Similar Dharas and also options in cotton are prohibited. Any person infringing this prohibitory bye-law makes himself liable to disciplinary action and any other contracts made by members or to be performed otherwise than in accordance with the bye-laws 47, 47A, 48, 50, 51, 84 or 110(3)(a) are void.

Trading Hours and Holidays

It has already been mentioned that trading in a hedge contract on trading days other than Saturdays and half holidays takes place only between the hours of 12 noon and 5 p.m. and on Saturdays and on half holidays only between hours of 12 noon and 3 p.m. But it may be noted that trading is also permitted on the three Diwali Holidays, on the union Budget day and on American Bureau Report days during such hours as the Board may prescribe, and the Board has the power to alter trading hours. Trading in hedge or delivery contracts is not permitted in any public street or place and no person can trade in them after 1 p.m. on the due date of such contracts. Trading in ready and delivery contracts is permitted on all days other than public holidays. Any hedge or delivery contract not conforming to above requirements is treated as void. All public holidays have to be observed by members as whole holiday. All other holidays that are notified by the Board or the Chairman, if specifically authorised, are to be observed as whole holidays or half holidays or as partial holidays between such hours as may be prescribed in the notice. The Board has power to notify that any public holiday or any day previously notified as a whole holiday or as a half holiday is not to be treated as a whole holiday or a half holiday or it has power to treat any day as a trading day and it may fix trading hours as well. Arbitrations and appeals which fall due on Saturday (except when it is a due date of a hedge contract) are deemed to fall due on the following working day and payments for cotton which in the ordinary course would fall due on a holiday are due on the succeeding working day.

Closing Market and/or Rooms in Emergencies

In the event of an emergency, of which the Board is the sole judge, the Board, at its discretion, by a resolution passed by it and posted on the notice-board can close the market and/or rooms, on any day or days other than holidays, but the market and/or rooms cannot be so closed for more than three consecutive days. Immediately upon giving notice of the closing of the market and/or rooms, the Board is, by advertisement and by posting a notice on the notice-board, required to convene a general meeting of the

authorized representatives on the last day on which the market and/or rooms are so closed for the purpose of determining whether the market and/or rooms would be further closed and if so, for what length of time; any day or days on which the market and/or rooms are closed on the happening of an emergency do not affect the running of time under contracts nor the time in which notice for appeal or rejection must be given under these bye-laws and the day or days on which the market and/or rooms are so closed shall not be computed in the time allowed for arbitration under Bye-laws 59 and 70.

Prohibition of Trading in Emergencies (Bye-law 52)

If, in the opinion of the Board, an emergency has arisen or exists, the Board may, by a resolution :—

- (i) passed by a majority of not less than seventy-five per cent of the members present (a fraction being counted as an integer), the number of members present being not less than ten, and
- (ii) confirmed by a resolution passed by a majority of not less than seventy-five per cent of the authorised representatives present (a fraction being counted as an integer at an extra-ordinary general meeting of authorised representatives convened in this behalf,

prohibit, as from the date of such confirmation or from such later date as may be fixed by the Board in the resolution referred to in sub-clause (i),

- (a) trading in the Hedge Contract for any delivery or deliveries and/or trading in any Delivery Contracts for the sale or purchase of cotton generally, or of cotton of any description or class specified in the Hedge-Schedule hereto, at a rate or rates above a maximum or below a minimum as may be fixed by the Board under sub-rule (2), or

- (b) all trading in such contracts as are referred to in clause (a) for a specified period or until further notice as may be determined by the Board by a resolution passed under sub-rule (2) :

Provided that no maximum and/or minimum rate or rates in respect of trading in the Hedge or any Delivery Contract shall apply during the period for delivery of such contract or during any portion of such period:

Provided further that if on the date prior to the date of commencement of a period for delivery of the Hedge or any Delivery Contract, any maximum and/or minimum rate or rates shall be in force in respect of trading in such contract, such rate or rates shall be deemed withdrawn and shall be inoperative as from the close of such first mentioned date.

(2) The Board may from time to time by a resolution passed by a majority of not less than seventy-five per cent of the members present (a fraction being counted as an integer), the number of members present being not less than ten, determine, extend or reduce the period during which a prohibition imposed under clause (a) or (b) of sub-rule (1) shall be in force. The Board may also by a resolution passed by a simple majority fix the maximum or minimum of rate or rates for the purpose of trading under clause (a) of sub-rule (1) and may from time to time, by a like majority, vary the maximum or minimum of rate or rates so fixed.

Consequences of Declaration of an Emergency by the Board (Bye-law 52A)

If the Board, at a meeting specially convened in this behalf, resolve that a state of emergency exists or is likely to occur such as shall in the opinion of the Board make free trading in forward contracts extremely difficult, the Board shall so inform the Forward Markets Commission and upon the Forward Markets Commission intimating to the Board its agreement with such resolution, then notwithstanding anything to the contrary contained in these Bye-laws or in any forward contract made subject to these Bye-laws, the following provisions shall take effect :—

(1) The Board shall at a meeting specially convened in this behalf :—

- (a) fix a date for the purposes hereinafter contained.
- (b) fix settlement prices for forward contracts, and
- (c) fix a special settlement day.

(2) Every delivery contract entered into between a member and a member which has passed through a clearing, and every hedge contract, and every on call contract in so far as the cotton is uncalled thereunder or in so far as the price has not been fixed thereunder, entered into between a member and a member or between a member and a non-member outstanding on the date fixed under clause (1) (a) hereof shall be deemed closed out at the rate appropriate to such contracts fixed under clause (1)(b) hereof.

(3) All differences arising out of every such contract between members shall be paid through the Clearing House on the Settlement Day fixed under clause (1) (c) hereof and the Clearing House Bye-laws shall apply accordingly.

(4) All differences arising out of every such contract between a member and a non-member shall become immediately due and payable.

(5) Every delivery contract entered into between a member and a member which has not passed through a clearing and every delivery contract entered into between a member and a non-member shall on the date fixed under clause (1) (a) hereof be deemed closed out at the rate fixed under clause (1)(b) hereof. Differences shall be immediately payable accordingly between the parties to such contract.

(6) In hedge and on call contracts entered into between a member and a non-member and in contracts to which clause (5) applies, any margin received shall be adjusted and the whole or the balance thereof, as the case may be, shall be immediately refundable.

Consequences of Prohibition of Trading in Hedge Contracts, by the Forward Markets Commission

If the Forward Markets Commission, after consulting the Chairman of the Association, is of the opinion that the continuation of

the hedge trading is detrimental to the larger interests of the economy of India and so informs the Board, the Board should cause a notice to be posted on the notice-board to that effect, and on the posting of such notice, the following provisions take effect notwithstanding anything to the contrary contained in these bye-laws or in any hedge or on call contract made subject to these bye-laws :—(1) After the affixation of the notice on the notice board, trading in hedge and on call contracts becomes suspended until the Forward Markets Commission permits its resumption in consultation with the Chairman of the Association.

(2) Every hedge contract and every on call contract, in so far as the cotton is uncalled thereunder or in so far as the price has not been fixed thereunder, entered into between a member and a member or between a member and a non-member than outstanding are deemed to be closed out at such appropriate rate as may be fixed by the Forward Markets Commission.

(3) Clauses (3), (4) and (6) of Bye-law 52A in so far as they apply to hedge and on call contracts also apply as if they form part of this Bye-law.

In this connection, it may be noted that the Forward Markets Commission acting within its power conferred on it under Bye-law 52AA, requested the Board of the E.I.C.A., Ltd. during December, 1955, to declare an emergency under the powers vested in it, and to take appropriate action to prevent the prices in respect of the two settlements, viz., February and May 1956, from rising above Rs. 700/-. The Forward Markets Commission was of the opinion that on account of speculative activity in the Bombay Forward Market in Cotton due to option dealings, prices of cotton were soaring high, though within ceiling limits. On the refusal of the Board to comply with its request, because the Board believed that no emergency had arisen, trading in hedge contracts was suspended by the Commission first for one week and then for another week. The suspension for trading was, however, followed by mutual discussions between the representatives of the Association and the Forward Markets Commission, and the Board of the E.I.C.A., Ltd., met on January 6, 1956 and passed a resolution, declaring that an emergency had arisen and fixed the ceiling price at Rs. 700/- for both the February and May Hedge Contracts.

This action of the E.I.C.A., Ltd., was challenged by a member of the Association (Shri Balchand Shah) in the Bombay High Court on the Ground that the Resolution was passed by the Association under coercion and against the Board's own considered judgement and was, therefore, invalid and not binding on the members. The petitioner's further plea was that members of the Association were entitled to trade in hedge contracts for February and May 1956 settlements, irrespective of the ceiling price fixed by the Board at Rs. 700/-. When the notice of the motion taken out came up for hearing, the Association gave an undertaking that it would not fix the rates for clearing for hedge contracts for the two settlements till January 16. When the matter came up before the Court for final hearing on a subsequent date, the Court held that the Resolution of the E.I.C.A. Ltd., was in order and binding upon the members. Again the Central Government issued a Notification, dated January 21, 1956, amending Bye-law 52AA under which powers were conferred on the Forward Markets Commission for controlling cotton prices in place of the Textile Commissioner. In virtue of the powers conferred on it under the newly amended Bye-law 52AA, the Forward Markets Commission issued a Notification, dated January 24, 1956, fixing the closing out rates of hedge contracts in cotton for February and May Settlements at Rs. 700/- and Rs. 686-6-0 respectively. The validity of this Notification was challenged again in a petition filed by a few members of the Association (Pyarelal and others). The contentions of the petitioners were that (1) the Central Government had no power to amend Bye-law 52AA giving wide powers to the F.M.C. for closing out hedge contracts and fixing ceiling prices in the interest of the trade or in the larger interest of the economy of India, as mentioned in the Notification.

(2) A bye-law of the Association cannot be validly passed so as to make it retrospective in effect.

(3) The F.M.C. had no right to fix any rate for the purpose of closing out any transaction effected prior to January 21.

(4) The F.M.C. acted *mala fide* in fixing the ceiling prices.

(5) The exercise of the power by the Commission was outside the scope of the functions of the commission.

(6) The Notification was issued by the F.M.C. in order to prevent the Board of the Association from reconsidering the ceiling price at Rs. 700/-, as fixed by it in its Resolution passed in January 1956.

The Chairman of the F.M.C. in his affidavit filed with the Court stated that—

(1) In 1952, the Central Government had laid it down as one of the conditions for allowing the Association to resume trading in hedge contracts that the Textile Commissioner would reserve to himself the right in consultation with the Government of Bombay and the E.I.C.A., Ltd., to close hedge contracts if they resulted in a situation detrimental to the interests of the country's economy.

(2) The Textile Commissioner would then fix the closing out of prices and the outstanding contracts would have to be squared up at that price. The Association amended its bye-laws by inserting a new Bye-law 52AA to carry out this condition.

(3) All hedge contracts were entered into subject to Bye-law 52AA and at present (because of further amendment to Bye-law 52AA as per Notification of the Central Government, dated 21st January 1956), instead of the Textile Commissioner, the F.M.C. could exercise power as the appropriate authority.

(4) As regards allegation No. (6) made by the petitioners, the Chairman stated that before the appeal of Shri Shah came up for hearing, the Commission had already decided to close out the hedge contracts, and hence the petitioners were not entitled to any relief. When the case came up for hearing in the Bombay High Court, the Court held that the new Bye-law 52AA framed by the Central Government was valid and that the powers conferred on the F.M.C. by that Bye-law were also valid. His Lordship Mr. Justice Coyaji in the course of his judgement stated, as under:

(1) The contracts had been entered into by the petitioners subject to the Bye-laws of the Association and further there was

an agreement that the contracts were to be worked out under the Bye-laws of the Association as they stood or as they might stand from time to time, and subject, at all times, to the Bye-laws. There was, therefore, a special and overriding agreement between the parties and the contracts of the petitioners entered into prior to January 21 were hit by the Notification.

(2) As regards the allegation of mala-fides against the Commission, it was pointed out that the Commission was a statutory body and its powers and functions had been defined by the Forward Contracts Regulation Act, 1952, and its function was not only to keep a watchful eye on the movements of Forward Market not only in cotton but in other commodities as well and to make recommendations to Government in the interests of the trade and the public. His Lordship remarked that there was no proof that the Commission had not acted in good faith.

(3) Referring to the Scheme of the Forward Contracts Act and the various provisions thereof, including the provision for the appointment of the Commission, His Lordship said that under Section 12 of the Act the Central Government had power to make or amend any bye-law of the E.I.C.A., Ltd., and it had power also to issue Notification without previous publication. He further observed that the Government had been invested with concurrent powers for the making of bye-laws and, in the Lordship's opinion, the power conferred on the Commission was not beyond the scope of the Forward Contracts Regulation Act, 1952.

(4) As regards the contention that amendment to bye-law 52AA could take effect only from the date of publication and not retrospectively, His Lordship observed that under Section 11 of the Act no limitation had been placed on the power of the Government for the purpose of altering the bye-laws, and as the contracts were subject to bye-laws, the Communication or Notification, even if it be retrospective, was valid, and hence the Notification issued by the Central Government was valid. His Lordship further held that the substitution of the Forward Markets Commission, in place of the Textile Commissioner, for the purpose of the Forward Contracts Act was also valid.

In the result, the petition was dismissed with costs. His Lordship also dismissed the notice of motion taken out by Shri Balchand Shah for an interim injunction to restrain the Association and its Directors from giving effect to the Communication of the Commission. An appeal was preferred against this decision but it was also lost.

Declaration of a Corner or a Bear Raid (Bye-law 52B)

If a declaration signed by at least 101 authorised representatives of members entitled to attend and vote at a general meeting is received by the Board to the effect that a squeeze or a corner or a bear raid exists, the Board is required to call a meeting within three days next after the receipt of such declaration for the purpose of deciding whether such emergency as was declared exists. Whether such declaration is received or not, it is competent to the Board to consider on their own initiative at any time whether any such emergency exists. In order to be effective, a resolution that an emergency exists must be passed by not less than two-thirds of the members present and voting at such meeting and that at least 12 members should have voted in favour of the resolution. Further, the resolution must have been communicated to the Forward Market Commission, who shall have intimated to the Board its agreement with such a resolution. Notwithstanding anything stated above, if the Secretary receives the declaration signed by at least 175 authorised representatives of members entitled to attend and vote at a general meeting, declaring that a squeeze or a corner or a bear raid exists, the Chairman shall cause a ballot to be taken on such declaration of such authorized representatives within three working days from the date of receipt of such declaration by the Secretary. The Chairman should then fix the time, place and manner in which such ballot should be taken. A Resolution for Declaration of such emergency to be effective, must have been ballotted by at least 300 authorized representatives of members entitled to attend and vote at a general meeting and that at least 3rds of the votes recorded are in favour of the resolution. Further, the resolution must have been forwarded with their opinion by the Board to the Forward Markets Commission, who shall have communicated its agreement with the resolution. If

these pre-requisites for passing a resolution that an emergency exists are satisfied, the Board has to fix spot rates and 'on' and 'off' allowances for staple for all cottons from day to day until such time as such emergency is deemed to be at an end. In fixing spot rates, the Board has to take into account:—

(1) The prices at which the cotton is sold in the Bombay spot market and

(2) The spot prices of cotton in the interior markets. The consequences of a resolution having been passed in the manner aforesaid, and the assent obtained thereto from the F.M.C. are that (i) the provisions of bye-law 55, 55A and of bye-law 61(4)(b) (ii) in so far as it relates to penalty on rejection and of bye-law 64 in so far as it relates to penalty for failure stands suspended; (ii) for the figure of percentage " $6\frac{1}{4}$ " wherever it appears in bye-law 55A, there shall be substituted the figure " $12\frac{1}{2}$ "; (iii) the penalty for rejection under bye-law (4)(b)(iii) shall be increased to Rs. 6/- per candy; (iv) the penalty for failure to tender under bye-law 64 shall be increased to Rs. 50/- per candy.

Method of terminating an Emergency

The emergency is deemed to have come to an end:—

(i) if the resolution declaring the emergency has been passed during a non-delivery period, on the Board passing by a simple majority at least seven days after the date on which the emergency came into force, a resolution declaring such an emergency to be at an end and on the F.M.C. intimating its agreement with the same.

(ii) If the resolution declaring an emergency has been passed during the delivery period or if the resolution shall have been passed during a non-delivery period and shall not have come to an end under clause (i) hereof on the first tender day, then the emergency shall continue to be operative throughout the delivery period and shall come to an end automatically on the due date of the delivery period.

General provisions relating to Forward Contracts

- (i) If an arbitration is held regarding the quality of cotton bought on account under these bye-laws, it shall be held on the basis of mutual allowances.
- (ii) In exercising the right of buying in the market the buyer should not buy any cotton in which he has any interest nor from any person, firm or company in which he is interested.
- (iii) Notwithstanding that the seller fails to tender or notwithstanding that the buyer may become entitled to reject cotton tendered by the seller against the contract, the buyer should when invoicing back or buying on account, pay to or receive from the seller at the next settlement, the differences which by reason of the fixing of rates under the bye-laws or a fall in the market prices arising in terms of definition of invoicing back or buying on account in the bye-laws as the case may be. Similarly, the buyer is entitled to receive or pay such differences in the event of the seller closing out the contract and the buyer refuses to accept the delivery order, railway receipt, bill of lading against the delivery contract in terms of the definition of closing out in the bye-laws.
- (iv) Hedge and Delivery contracts are required to be in writing and should contain a provision that they are subject to the bye-laws of the E.I.C.A., Ltd. Members of the Association are recommended to use Forms B, C, D, appended at the end.
- (v) Hedge contracts between members acting as Commission Agents and their Constituents have to be similarly drawn up. (*Vide* form of Client's Contract Note appended at the end).
- (vi) Members of the Association are required to maintain books of account showing their transactions in cotton relating to the same period for a period of at least three years for production, whenever required.

- (vii) No forward contract entered into under the bye-laws of E.I.C.A., Ltd., can be cancelled by any of the parties thereto.
- (viii) A contract under which a delivery is to be made after the 30th of September in any year shall, unless a contrary intention appears and is expressed in the contract, is deemed to be a contract under which new crops only should be tendered, and/or delivered.
- (ix) In every forward contract the buyer is deemed, (subject to Bye-laws 61 to 73) to have agreed to accept in fulfilment of such contract, any cotton which may be passed either with or without allowance awarded in arbitration or appeal under Bye-law 36.
- (x) The seller, while issuing a delivery order, must insert in it the mark or marks of the cotton and sufficient particulars, e.g., the number of the godown etc., to identify the godown or the Jaitha in which the cotton is lying, the contract price or the rate of the last settlement, if any, and the day on which the right to hold an arbitration on the cotton would expire. If the cotton tendered against the forward contract includes lots from different stations, the number of bales for each station is required to be stated in the delivery order. If this is not done by the seller, the buyer may reject all bales which are not from the same station, as the bales sampled and invoice them back at the rate of the day on which he rejects the bales, or if the seller goes to arbitration at the rate of the day on which the final award is made plus a penalty of Rs. 5/- per candy in either case. Unless the cotton is ready at the Tank Bunder, or at the Sewri Cotton Depot, or in the vicinity of the Docks either on the Bunder or the Jaitha or in a godown or in such place or places as may be notified by the Board or in any place outside Bombay notified by him, if the seller intends upcountry delivery, no delivery order should be issued from 1st June to 30th September, and during this period it must be stored in a godown in any of the places mentioned

above. But from 1st October to 31st May the cotton may be stored either on the Bunder or in a Jaitha or in a godown.

(xi) To constitute a valid tender, all the bales, tendered under one delivery order—

- (a) must be of uniform measurements ;
- (b) must be in one Jaitha or godown ;
- (c) must be in the possession of the tenderer or his pledgee or banker ;
- (d) must have such minimum number of lashings as may be prescribed by the Board, regard being had to different minima for bales pressed in different mills.

Condition (b) will not apply to sales made on railway terms. When R.R.s or Bills of Lading are tendered against such bales, failure to abide by the above conditions is treated as a failure to tender.

(xii) In the case of sale on railway terms under a delivery contract, a railway receipt or a bill of lading constitutes a valid tender, provided that such railway receipt or bill of lading bears a date prior to the date of tendering, unless otherwise stipulated in the contract.

(xiii) In the case of railway receipts or bills of lading, if the buyer fails to weigh over the cotton at the request of the seller within eight days after final approval or arbitration of the cotton, he shall be bound to pay for the cotton on the basis of the seller's invoice weights or if an advance payment has been made, the same is adjusted. If, on the other hand, the seller neglects to attend the scale on request by the buyer within three days, the seller is bound to accept payment on the basis of buyer's weight or if an advance payment has been made, the same should be adjusted.

(xiv) In cases where a railway receipt or a bill of lading is tendered against a contract, the seller is responsible for

all risk, until the cotton is unloaded' at the destination named in R.R. or Bill of Lading or until the tender of the Railway Receipt or Bill of Lading duly endorsed to the buyer, whichever of these shall last occur. In the event of rejection, the buyer's responsibility ceases three days after notice to remove the rejected cotton has been given to the seller. Responsibility for demurrage will remain with the tenderer of a Railway Receipt or a Bill of Lading for twenty-four hours after the day on which the Railway Receipt or a Bill of Lading has been tendered.

- (xv) Against delivery contracts on railway terms, if a delivery order is tendered, the sampling for arbitration or approval and weighment of such cotton is done in the sellers' Jaitha or godown situated at Tank Bunder or the Sewri Cotton Depot (including the Grain Depot of the Port Trust) or in the vicinity of the Docks and the buyers shall cart it from there at his own expense.
- (xvi) In cases where a railway receipt or a bill of lading is tendered against a contract and the buyer elects to reject the cotton after arbitration and/or appeal, the following is the scale of charges which the buyer would be entitled to claim from the seller:—

Cartage:—Rs. 31-4-0 per 100 bales from the Cotton Depot Station or Rs. 75/- per 100 bales from any other station or from a Dock in Bombay.

Muccadumage and Jaitha and/or Godown Rent	
	Rs. 0-7-0 per bale.
Insurance	Rs. 0-2-0 „ „
Interest on advance and freight	6 per cent. per annum.
Town Duty	Such as may have been paid.

This scale shall be subject to alteration from time to time by the Board.

- (xvii) If the cotton covered by a railway receipt or a bill of lading be not unloaded at the Cotton Depot or Byculla Station or a Dock in Bombay at or before 1 p.m. on the latest date for delivery specified in the contract, the buyer has to serve a notice of the fact in writing upon the seller within four hours thereafter, and the buyer then shall have the right to act as if there had been a failure to tender.
- (xviii) No cotton shall be tendered in a hedge contract by a railway receipt or a bill of lading.
- (xix) For the purpose of inspection, the buyer has a right of opening 4 per cent of the bales. For the purposes of arbitration, a maximum of 8 per cent and minimum of 4 per cent of bales shall be opened. (2 per cent may be opened outright). The samples are to be drawn conjointly by parties representing buyers and sellers from both sides of the bales, the buyers selecting the bales to be opened ; and all samples drawn have to be used for determining the question of quality. Due allowance is made for the change in appearance of the hard side of the bale owing to cross packing. Repressing charges are not payable in either hedge or delivery contracts. In the case of a forward contract, for full pressed bales, the buyer has certain rights and obligations in regard to burst and repressed bales, as mentioned in bye-law 96 and 96A with which the student should be familiar. At least 70 per cent of the bales tendered under any delivery order must not be burst bales ; otherwise there will be deemed to be a failure to tender with all consequences thereof.
- (xx) The buyer should begin to take delivery of the cotton not later than the day after the cotton is finally approved of, at the rate of not less than 300 bales per day, whether the cotton is finally approved by the parties or in arbitration or on appeal or if no arbitration is held, then after the time allowed for arbitration has expired.

On failure to do so, the seller is entitled to weigh over cotton after giving 48 hours' notice, at the expense and risk of the buyer, who is required to pay for it with interest at 9 per cent per annum plus 8 annas per bale for weighing charges and such further charge for fire insurance and rent as may from time to time be fixed by the Board, failing which the seller has the power of re-sale on account and at the risk of the buyer, which power the seller shall have to exercise within fifteen days after final approval. But if the seller refuses to give delivery of the bales finally approved or arbitrated upon, the buyer has the right after giving 48 hours' notice in writing, of invoicing back at the market rate not exceeding Rs. 50/- per candy as may be fixed and imposed by the Board, or of purchasing in the market at a reasonable rate on account and at the risk of the seller, after due intimation to the seller. On his failure to give such intimation of election or having elected to purchase he fails to purchase within 24 hours of intimation, the buyer is deemed to have invoiced it back at the market rate of the third day after the day upon which delivery was refused. All such purchases by the buyer at the risk of the seller are subject to arbitration on the question of price, if the seller intimates his objection within 48 hours of intimation to purchase.

- (xxi) Against all forward contracts (except those delivery contracts in which a special weight is specified for delivery in the contract), the following are the minimum and maximum net weight tenderable against 50 bales of any particular description.

<i>Description</i>	<i>Minimum</i>	<i>Maximum</i>
Cambodia, Tinnevely and Karunganni	... 24½ candies	32 candies
S. G. Punjab/American	23½ ..	25½ ..
All other	... 24½ ..	25½ ..

Within these limits the cotton shall be taken at the price per candy stated in the delivery order.

Accounts between intermediate parties have to be adjusted on the basis of $3\frac{1}{2}$ Cwts. net per bale (25 candies per 50 bales). In case any lot of 50 bales weighing less or more than the scale referred to above, such excess or shortage as the case may be should, at the option of the buyer, be adjusted between the original seller and the last buyer at the market rate of the day on which the final weighment of the lot takes place, i.e., the buyer may pay for any excess at his option either at the rate of the cotton tendered stated in the delivery order or at the market rate of the day of the cotton tendered and for any shortage, the buyer may, if the market rate of the cotton tendered is higher than the rate of the cotton stated in the delivery order, claim the difference between the two rates. The last buyer is not bound to take any unopened bales, the net weight of which is either less or more than the weight laid down below:—

<i>Description</i>	<i>Minimum</i>	<i>Maximum</i>
Cambodia, Tinnevely and		
Karunganni	... 340 lbs.	530 lbs.
Other descriptions	... 340 lbs.	450 lbs.

- (xxii) In all the transactions for the delivery of cotton, payment may be demanded in cash against delivery in the seller's Jaitha and/or godown of any portion of the bales purchased, except in certain cases already referred to where cheques on certain banks can be accepted against delivery. But the fact that the seller has not insisted on payment at the time of delivery does not imply that he has given credit to the buyer and the seller shall be deemed to have a lien on all bales delivered until payment for the same has been made in full and which payment can be demanded at any time.
- (xxiii) If the last buyer in a hedge contract is not a registered or a licensed dealer under the Bombay Sales Tax Act, or being a licensed dealer does not furnish the seller with a certificate in the form prescribed, declaring that

the cotton is intended for resale by him, the last buyer is required to pay to the original tenderer on taking delivery of cotton, the amount of tax payable by the seller to the Government of Bombay on the sale of such cotton. If such last buyer is a broker or a commission agent, who is not a registered or a licensed dealer under the said Act, and if he takes delivery of cotton on behalf of a constituent who is a registered or a licensed dealer, he has to furnish the seller with a certificate in the form prescribed, duly signed by the constituent, declaring that the cotton is intended for resale by the said constituent and stating that the delivery of cotton has been taken by the broker, or commission agent on his behalf. This fact will have to be verified by the Association and certified as correct. In the event of the inability of the last buyer to furnish such a certificate, he has to pay to the original tenderer on taking delivery of the cotton the amount of tax payable by the seller to the Government of Bombay under the said Act on the sale of such cotton. If the original tenderer in a hedge contract is not a registered or a licensed dealer under the Bombay Sales Act, and if he tenders cotton on behalf of a constituent who is a registered dealer, the original tenderer has to intimate in writing to the last buyer the registered number of the constituent under the said Act and the fact of his having tendered the cotton on behalf of the constituent. This fact will have to be verified by the Association and certified as correct. If at the time of weighment, any bales are found to be damaged by mud, water, ants etc., the buyer has a right to call for arbitration, but if the cotton be East African cotton, the buyer has not the right to reject but has to take it with the full allowance awarded and in the case of Indian and Pakistan cottons he has the right to reject any bales declared by final award to be damaged to the extent of more than 10 lbs. per bale. but he must weigh over the balance with the allowance awarded. The seller will not be responsible for damage by rain water, if the cotton is not weighed over within

72 hours after final approval. If the buyer elects to reject any bales, he might either invoice them back at the spot rate of the day following that on which the arbitration has been disposed of or buy in the market on account and at the risk of the seller subject to the right of the seller to hold arbitration on the question of price. For the purpose of estimating the extent of damage, half an inch at either end of a bale may be taken to be equivalent to 5 lbs.

- (xxiv) If at the time of weighment some of the bales are suspected of being inferior in quality to the stamped bales, they can be set aside until the buyer shall have weighed as many bales as he considers to be equal to his stamped bales. Either party has right to call for an arbitration on the bales set aside as inferior by the buyer. Bye-law 106 provides for the method of surveying for inferiority and the buyer has the option of either taking the bales with the allowance awarded or reject them on award justifying the re-election. Bye-law 109 provides for certain procedure to be followed in the event of loss or damage as the result of fire to cotton tendered against the forward contract, which has been approved and stamped by the buyer but is still in the seller's Jaitha or godown awaiting delivery. It may be noted that cotton not damaged by fire is deemed merchantable, if the damage by water does not exceed 3% of the market rate of the cotton on the day following that of the fire.

Points of Difference between the old and the new Indian Cotton Contract

Let us see how and in what respects the new Indian Cotton Contract is an improvement over the old hedge cotton contract. The prevailing Hedge Contracts were replaced by the new Indian Cotton Contract at an extraordinary general meeting of the Association held on 14th July 1942. For over a quarter of a century Broach, the staple length of which was nearly $\frac{3}{4}$ " was the principal hedge contract and the barometer for Indian Cotton prices. When Broach contract was introduced it was fairly representative

of Indian Fair Staple cotton, but during the intervening period the face of the Indian Cotton crop has changed. Improved varieties have been grown and there is now a preponderance of medium and long-stapled varieties, i.e., to say, varieties with a staple length of $\frac{3}{4}$ " and over. The basis of the Broach Contract can no longer be said to represent the bulk of the crop now grown in India. Again, the internal consumption by mills of Indian cotton has also increased apace. A major portion of this consumption consists of the medium and long-staple cottons. Again the mainstay of surplus Indian cotton consisting of short staple and fair staple cottons was principally the far-Eastern Markets and the Continent of Europe. These markets have now been lost. It is therefore, in the fitness of things that the main Indian cotton contract should have as its basis cotton which caters to the domestic economy. As already mentioned, the basis of the new contract is fine M. G. Jarilla With 25/32" staple, which is raised to 13/16" tenderable up to 7/8" with a tolerance of 1/32" 'of'. As 3/4" jarilla is also tenderable, Jarilla is split up into two categories A and B. B Jarilla $\frac{3}{4}$ " will be tenderable without tolerance, without any 'on' allowance for staple. In addition to the Jarilla A and B and other varieties tenderable as basic cotton, other descriptions mentioned in column 2 of the hedge Schedule with minimum and maximum mentioned therein are also tenderable. The stipulation of staple length is introduced for the first time. The earlier contracts required only the fair average staple of the season. This was in indefinite and a vague term, as every one had his own idea about such staple. Thus it was necessary to prescribe a definite staple length as the basis of the hedge contract. By this prescription it is believed that the cotton cultivator would be materially assisted in the realization of better prices for long stapled cotton.

(2) Under the new contract, the 'on' and 'off' allowances for tendering differences will be subject to the weightage $6\frac{1}{4}$ per cent. This is in consonance with the practice followed by American markets and is consistent with the theory of hedging that the future-contracts should discourage tender of too many superior or inferior varieties of cotton as far as possible. The total quantity of superior cotton tenderable should be reduced

to the safe margin. The object should be to induce buyers to operate more freely while continuing to give to the seller the right to tender superior cotton. The old Broach Contract allowed tender of cottons of highly varying values against it, with the result that the buyers were scared away from taking delivery. Better varieties known as 'other descriptions' are no doubt tenderable as a fixed difference less a definite percentage because cotton of superior values carrying premia act as a sort of weightage and prevent the contracts from unnaturally soaring too high. Even in the New York Cotton Market, tenders of cotton of longer staple and higher grade than the Middling basis $7/8''$ are allowed but with discount of the premia. This should not, however, affect adversely the interests of the grower of superior cottons because he can very well dispose of the produce in the physical or spot market at a higher premium. Similarly, in the case of inferior varieties permitted to be tendered below basic staple length, there should be a similar handicap in order that the seller may not be encouraged to tender unwanted growths in the futures market. The idea of giving the buyer the option to accept up to $1/32''$ and $2/32''$ below the minimum limit of specified in column (3) of the Hedge Schedule staple lengths seems to be that if the class of cotton is better, the seller should not be penalized severely or that if the buyer needs cotton, his choice should not be unduly restricted. In giving this choice, two fundamental factors are taken into consideration :—

(1) In the first place, the buyer is the best judge of his own interests, and

(2) Secondly, the climatic vagaries affecting the quality of cotton crop cannot be totally ignored.

(3) In fixing the tenderable differences between the standards of the basis cotton the spot rates ruling in Bombay and mofussil markets for similar growths are taken into account. The old Broach contract only partially took this factor into account as only spot rates prevailing in the Bombay Market were taken into consideration.

(4) In the old contract, there were double trading months, with delivery period extending over 55 days, and this had an adverse effect on the general price level of the Indian cotton. Again, the old contract had only two positions for the purpose of hedging as well as for speculating. In the new contract, three positions are provided for and the trading months are all single with delivery period of 25 days only in each case. This is likely to reduce the unhealthy concentration of trading in any one position.

(5) *Special Provision against Manipulations*:—There have been several manipulations in the past known to the trade, such as a corner or a squeeze or a bear-raid. To deal with such situations the Board, with the concurrence of the Forward Markets Commission, can take effective steps under the powers vested in them under the revised bye-laws of the Association until the situation improves, (vide bye-laws 52A, 52AA and 52B). When a state of emergency exists, the Board, with the agreement of the F.M.C., may prohibit trade in futures or may fix prices at which hedge contracts should be closed out or increase or decrease penalties leviable or even suspend the operation of ordinary bye-laws.

(6) To meet the situation created by transport bottleneck during the period of the War, the buyer was given the option to demand delivery upcountry. This procedure has been continued and certain formalities have to be complied with and where delivery by the seller in centres prescribed outside Bombay is permitted, the buyer is entitled to receive certain charges from the seller.

(7) On the failure of the seller to tender a full or a complete lot, the buyer can either invoice back or buy at a reasonable rate on account and at the risk and expense of the seller. The position in regard to this right has varied from time to time until the year 1938. Since then the position is that the buyer has either to take the cotton with allowances awarded in arbitration or reject it and invoice it back to the seller. It is apprehended that because of this provision the buyer would pay higher price for cotton bought on account of the seller than the rates fixed by the Daily Rates Committee, and the seller, in consequence, would

be compelled to pay a higher price. It is now provided, therefore, that with a view to removing this handicap the buyer should buy at a reasonable rate and that all purchases made on account of the seller would be subject to arbitration on the question of price at the instance of the seller, if the seller intimates to the buyer his objection to such purchase within 48 hours of intimation. The right of buying on account has been found by experience to be desirable and indispensable in the interests of the cotton trade as a whole. It may be noted that some of the innovations introduced in the Indian Cotton Contract can be attributed to the existence of abnormal conditions created by the War, but those features have been continued because of their practical utility to the cotton trade in peace time. The only feature of the contract in vogue which could be called its weakness is that it represents only the medium and long staple growths of cotton and the short staple growths are severely left alone. The latter are rightly regarded as orphans, the prices of which are depressed because of a lack of speculative demand for them. If the system of the hedge contract in the Bombay State is to be made more broad-based, it is necessary to take cognizance of the rest of the descriptions of cotton as well in the interests of the trade in general. This would postulate, therefore, that there should be a system of two hedge contracts—one for the medium and long staple growth and the other for short staple growths. This system would then represent and include all the commercial varieties of cotton grown in the country. It may be noted in this connection that the Forward Markets Commission has found a solution to the problem, in that it has recommended the decentralization of trading throughout the country, for reasons already set forth. So far we have dealt with the hedge or the futures contract and the provisions of the bye-laws of the E.I.C.A., Ltd., relating thereto. The other two types through which forward market function are the non-transferable specific delivery contracts and the transferable specific delivery contracts. These differ in the conditions of delivery and mode of payment. According to the recent Report of the Forward Markets Commission, delivery is a common feature in both the transferable and non-transferable specific delivery contracts. The goods have to be of a specific quality and have to be delivered in a specified quantity at a specified destination for a

specified price. The non-transferable specific delivery contract resembles a ready delivery contract except that delivery takes place after a longer period. A ready delivery contract has been defined in the Forward Contracts Regulation Act, 1952, as a contract which permits the delivery of goods and the payment of a price therefor either immediately or within such period not exceeding 11 days after the date of the contract, and subject to conditions prescribed by the Central Government in respect of any such goods, the period under such contract not being capable of extension by the mutual consent of the parties thereto or otherwise. In the case of a transferable specific delivery contract, delivery takes place between the first seller and the last buyer and it has also to conform to the same detailed specifications as in the case of non-transferable contract. The settlement in the case of transferable specific delivery contract takes place through the payment of actual value of goods by the last buyer to the first seller. In the case of the futures contract or the hedge contract and the transferable specific delivery contracts, accounts are settled in so far as intermediate buyers and sellers are concerned, by the payment of differences in price between the buyer and the seller. It would be seen, therefore, that the transferable specific delivery contract occupies a position intermediate between the non-transferable specific delivery contract and the futures or hedge contract. It has points of resemblance to both, but it is treated as being on par with the futures or hedge contract under the Forward Contracts Regulation Act, 1952.

Bye-law 110 prescribes certain provisions which would apply to on call contracts in supersession of any provision repugnant thereto with which the student should get himself acquainted.

Sampling and Delivery

The E.I.C.A., Ltd., has also framed a set of general bye-laws relating to sampling and delivery which are summarized below :—

(1) Subject to bye-laws 65 and 75, no claim can be made by a buyer when once the bales have passed the scale, except on the ground of fraud, false packing or the presence of foreign

substance in the bales ; again no such claim is tenable after the expiry of one year from the date of weighment of the cotton by the buyer. (2) All samples of loose cotton taken by the buyer or by his representative whether for inspection and approval or after approval,, shall be duly weighed and a receipt therefor given to the seller before removal of cotton from the Jaitha or godown.

(3) The weight of tares has to be setted at the seller's Jaitha at the time of delivery and the allowance fixed has to be entered by the buyer or his representative in the receipt granted by him for the bales delivered. In the event of the lot purchased consisting of bales from more than one press, the tares of the bale from each of the different presses shall be separately ascertained. The average tare ascertained has to be accepted as final by both the buyer and the seller. If the average tare of that bales selected by the buyer exceeds the average tare of those selected by the seller by 1 lb. or more, the tare of the lot shall be taken to be $\frac{1}{2}$ lb. per bale less than average tare of the bales selected by the buyer.

Outstation Delivery Contracts

Notwithstanding anything to the contrary, contained in these bye-laws, the following provisions of bye-laws shall apply to delivery contracts under which delivery is to be made at any place outside Bombay. The bye-laws are summarized below :—

(1) Unless otherwise agreed with the buyer, if the contract is for Indian or Pakistan cotton against R.R. or bill of Lading, the seller is entitled to payment in full of the invoice value of the cotton consigned on presentation of R.R. or Bill of Lading in terms of the contract.

(2) Weighment is required to be completed within two days of the arrival of the goods, at such places as are mentioned in the contract, and if no place is so stipulated then, at the destination shown in the R.R. or Bill of Lading. If weighment is not so completed, invoice weights are taken as final.

(3) If the contract is for delivery outside Bombay, without a Railway Receipt or a Bill of Lading, weighment is required

to be completed within one week of the tender and payment made against completion of weighment.

(4) Unless the contract provides that the quality of cotton should be passed by the buyer before despatch or delivery of it, any dispute as to quality has to be intimated by the buyer to the seller within seven days of the arrival of the cotton at the destination named in the Railway Receipt or Bill of Lading. In case of a dispute as to quality, the buyer is not entitled to reject the cotton but is deemed to have demanded full allowance.

(5) For the purpose of survey, the buyer is required to draw samples in the presence of the seller from two bales out of every fifty bales tendered. Such samples have to be sealed by the buyer and the seller, and forwarded by the buyer to the Secretary of the Association, along with the basic type or basic sample, if any, by railway parcel, not later than the third day following the day on which the samples were drawn. The Secretary then arranges the holding of the survey within a reasonable time and an appeal lies from the Award of the Surveyors or Umpire, but such appeal should be lodged with the Secretary before 1-30 p.m. on the fourth day following the date of the award, the award in the appeal being final.

(6) Interest from the due date of payment should run at 9 per cent per annum.

(7) The buyer should not take delivery except upon presentation to the carrier of the R.R. or B.L. and if he contravenes this provision, he makes himself liable for disciplinary action.

(8) If the contract is F.O.R. station of destination, the seller is responsible for all risk until the cotton is unloaded at the destination named in the R.R. or Bill of Lading, or until the tender of railway receipt or bill of lading duly endorsed to the buyer, whichever may occur last. If the contract is F.O.R. Station of despatch, the seller is responsible for all risks until the cotton is loaded in wagons or on board the ship, as the case may be, and transit risks thereafter are to be undertaken by the buyer, provided the seller intimates in time of such load-

ing to enable the buyer to arrange for transit insurance. If the seller fails to do so, the transit risk would be on the seller.

Ready Transactions

Bye-laws from 115 to 120A framed by the Association refer to ready transactions which are briefly summarised as under. Contracts for the sale and purchase of ready cotton are made on the basis of bales approved and stamped by the buyer and the cotton sold is understood to be equal in quality to and of the same description as that contained in the stamped bales, and to be ready in the seller's Jaitha or godown at the time. These contracts are also governed by the provisions of the bye-laws of the E.I.C.A., Ltd., and may be verbal or in writing. The Spot Market is at Sewri and is open from 11 a.m. to 2 p.m. The seller's room in the cotton ring contains piles of samples covered by paper in bundles. Salesmen, brokers and sub-brokers and their employers move briskly with one or two bundles of samples tucked under their arm and show them to prospective purchasers. Purchasers intending to buy cotton scrutinize the samples. If a price is agreed upon at the rate fixed by the Daily rates Committee and if the bales are in any of the godowns in Bombay, the purchaser or his agent goes to the spot. A purchaser has a right to sample 5% of the bales offered for sale by bursting one hoop of 3% and 2 hoops of 2% of bales for the purpose of final inspection and approval. He is entitled to burst two hoops of one bale, however small the lot may be. This is known as "Pucca Sampling". Once the pucca samples are drawn and approved and the bales are stamped by the buyer, both the parties are bound by the terms of agreement. The buyer is not bound to accept any bale, the net weight of which is less than 340 lbs. or more than 450 lbs., unless other weights have been specified in the Memorandum of sale and purchase. The buyer is required to give six hours' notice before he can demand weighment. In case the seller refuses or neglects to give delivery, the buyer, after giving 48 hours' notice, is free to buy similar cotton in the market at the cost of the seller, subject, however, to certain conditions prescribed in the bye-laws of the Association. If, however, the buyer neglects or refuses to take delivery the seller has to give similar notice and

after its expiry, can weigh over the cotton, charge the buyer for weighing, insurance etc., and ultimately re-sell the cotton on account of the buyer. In case of dispute about the quality, reference is to be made to the Arbitration Board. If, after arbitration, the allowance sanctioned is up to half a per cent, the buyer has to accept. If it is more than that, he has the option of rejecting the bales with proper notice. All the varieties of cottons, including African and Egyptian cottons, are traded in the Bombay Market, together with cotton imported by the merchants from outside.

IV. The Clearinf House

The Clearing House Committee appointed by the Board has two principal functions viz.

(1) to conduct periodical settlements of credit and debit accounts of the members arising on account of fluctuations in price of open contracts ; and

(2) to pass on delivery orders (tenders) issued by members against forward contracts for ascertaining the last buyer.

(a) *Settlements* :—Settlements take place once a week on days fixed by the Board, and notified in a calendar to be published annually. Prices for all positions of the hedge contract are fixed by the Board, on or about the third working day immediately preceding the settlement day. The prices so fixed are 1 p.m. prices on the day of fixation. The Board has also power to postpone any settlement date or inward or outward payment dates for the fixation of the settlement prices. In the case of the delivery contracts, the settlement price of the hedge contract is the basis for periodical settlement. Any allowance agreed upon by the parties in their contract to cover any difference between the price of the cotton contracted and the basis cotton of the hedge contract is added to or deducted from the settlement price. In the case of cottons, not tenderable against the hedge contract, the parties themselves may either agree upon an allowance above or below the price of the basis cotton of the hedge contract or may apply to the Board to fix it. When trading in new crop hedge contract is permitted, (because such

permission is to be annually granted by the Textile Commissioner with the concurrence of the Forward Markets Commission, so long as the Cotton Control Order, 1955, is in force), in both delivery and hedge contracts, the basis for periodical settlement of new crop delivery contracts would be the settlement price of the new crop hedge contract. In case trading in new crop is permitted but not in hedge contracts and the Indian Cotton contract is nevertheless functioning, and in that event only the basis for periodical settlement of the new crop delivery contract in any year would, until trading in new crop hedge contract is permitted, be the settlement price of the current old crop hedge contract for the last delivery period of the season. While trading in the new crop hedge contracts is permitted, there can be a 'badla' for the settlement price for the last delivery period of the season last preceding the date of such permission to the first settlement price of the new crop hedge contract. For the settlement of delivery contracts, applications for the fixation of settlement rates require to be made to the Secretary before noon on the due date. It may be noted that settlement rates apply only to those contracts which are entered into before the day on which rates are fixed. All subsequent contracts are not settled until the next settlement. The day on which the balance sheets are submitted to the Clearing House is known as the 'Settlement day'. As soon as the settlement rates are known, members having open contracts draw up the accounts of their dues and liabilities on Form No. 1 (*vide* Specimen Forms attached to Appendix 4 to this Chapter), provided for that purpose. In preparing settlement account, no interest is allowed. For contracts coming for settlement for the first time, differences are calculated between the contract price and the settlement price and for contracts coming under subsequent settlements, differences are calculated between the two settlement prices. The settlement accounts are exchanged between members for the purpose of checking and adjustment of discrepancies, if any. The settlement accounts show the balance of bales, if any, carried forward from the last settlement, together with new business entered into thereafter, with the contract prices. Purchases from and sales to the same persons of the same quality and description of cottons for the same delivery are considered as closed contracts, after they

appear in one settlement, and then they are omitted from subsequent settlements. Members from whom money is due on settlements hand over to their creditors before 11-30 a.m. on every settlement day, vouchers with registered numbers (Vide Form 2) showing their liability. Once the voucher is submitted, it cannot be subsequently withdrawn, without the written consent of the other party. In submitting vouchers for amounts, annas and pies are not shown. Sums below 8 annas are ignored and those above it are counted as one rupee. Balance sheets (Form No. 3) are then prepared and sent to the Clearing House at the hour fixed by the Board, together with vouchers (in Form No. 2) for the sums claimed. Members submitting balance-sheets to the Clearing House after the hour on the day fixed are charged a late fee at the rate of Re. 1 per hour or part of the hour, and no balance-sheet is accepted after 4-30 p.m. on the date fixed. After all the balance-sheets are received by the Clearing House, each one is given a running number and is distributed among the clerks working in batches of two for checking each item on the debit side, with the help of vouchers attached to the balance-sheets. Thus the whole of the debit side is checked. If there is any difference between the amount of the voucher and the amount claimed in the balance-sheet, a note to that effect is made on the same, and enquiries are made. All correct balance-sheets and vouchers are arranged according to their registered numbers; then the credit side is similarly checked. Balance-sheets are then separated into two parts: (1) for those showing a debit account and (2) for those showing a credit account. They are then alphabetically arranged in smaller lots, say from A to D, E to H, I to N, O to R, S to Z and so on, and a separate statement for each lot is prepared, showing the name of the member, his registered number, the amount to be paid into the Bank or to be received from the Clearing House. Finally a summary is made and grand totals, both for the credit and debit balance-sheets, are struck, and if they tally, the settlement is said to have been balanced. Any dispute arising out of the working of the Clearing House, is settled by the Clearing House Committee or by the Chairman, subject to an appeal to the Board on payment of an appeal fee of Rs. 100/-. A fee not exceeding Rs. 50/- is charged by the Clearing House Committee or sub-

Committee for deciding disputes. The Board or the Clearing House Committee, as the case may be, is competent to decide what amount of fees should be paid by each party. Fines are imposed on all members for their neglect to pay attention to or obey notices issued on behalf of the Board by the Manager of the Clearing House. The amount of fine so imposed does not exceed Rs. 100/-. All payments by or to a member in respect of differences on forward contracts are made through the Clearing House. Any payment not made through the Clearing house is considered to be a compromise and requires forthwith to be reported to the Clearing House. Any member failing to do so makes himself liable for disciplinary action under bye-laws Nos. 17 to 29. It may be noted that every penalty payable by a member has also to be paid through the Clearing House. Every member of the Association entitled to use the Clearing House is required to submit, along with balance-sheets, statements showing particulars of purchases and sales effected in respect of all hedge contracts and the resultant net outstanding position at the end of each of the working days ending with the day previous to the one on which the settlement rates have been fixed and showing the margin payable under bye-law No. 51-A in respect of the sales or purchases, together with the stamp duty payable in respect of such purchases and sales as also of delivery contracts and closed out transactions. Every other member entering into hedge contracts which are outstanding, is similarly required to prepare and send to the Clearing House statements showing the very same particulars as mentioned above. The next day which is the inward payment day, payments are made by members not later than the time specified in the Clearing House notice to the settlement account of the Association with the State Bank of India, such sum as would cover the stamp duty as well as the margin shown as payable. Crossed and order cheques drawn on the state Bank of India are prepared in the names of members of the Clearing House and pinned to the balance-sheets to be signed and stamped by a representative of the members claiming credit accounts. A member contravening the obligations or submitting an incorrect statement makes himself liable to disciplinary action under bye-law No. 70. If a member fails to pay the margin money after being

called upon to do so by the Clearing House, the Board investigates the circumstances, and if the failure of the member is proved to the satisfaction of the Board, all the outstanding hedge contracts are closed out at rates fixed by the Board, and a notice is posted to that effect duly signed by the Chairman and the margin standing to his credit is forfeited to the Association with a lien thereon in favour of such other persons to whom he is indebted in respect of the transactions closed out. The third day is the outward payment day. On that day the State Bank of India submits to the Clearing House a statement of the money received from members and the Clearing House checks the same with its own statements and if they tally, the outward payments are made. In case a member fails to pay the full amount or a part of it, he is called upon to pay immediately direct into the Clearing House in cash, and the outward payment is made after the same is paid. If the member fails to pay the amount before 12 noon, he is asked to appear before the Meeting of the Board and called upon to explain his failure to meet the liability at maturity. If he fails to satisfy the Board on the point, he is posted up as a defaulter and rates are fixed to close his outstanding contracts. Default must be also due to his failure or suspension of payment or insolvency. The balance-sheet of a defaulter is then adjusted. In order to balance the settlement, the members to whom the defaulting member has to pay are asked to pay the amount claimed by them. If any money is paid in favour of the defaulter, it is distributed pro-rata among the members whose names are shown on the credit side of the balance-sheet of the defaulter, that is to say, to the members who are called upon to pay the amount to balance the settlement. If, however, the defaulter is an intermediate party, his name is struck off and parties before and after are supposed to have contracted with each other. If he is the last buyer, the immediate seller of the cotton to him becomes the last buyer, with all his responsibilities. If he is the first seller, his immediate buyer steps into his position. For settlement clearings, vouchers are registered as the most important and authoritative documents. If a member claimed any amount without a voucher and if the amount is shown as due by the other party in his balance-sheet, the claim is taken to be

correct, but the claimant is asked to produce a voucher in support of his claim for the purpose of record. If the opposite party does not admit the claim, no notice of the claim is taken, unless the claimant has made a complaint already that the voucher in his favour was not passed. On his failure to give a satisfactory answer, the matter is referred to the Clearing House Committee for investigation of the *bone-fides* of the claim, and after investigation, the Committee gives an award. Alternatively, the parties may be directed to refer the matter to arbitration under bye-law No. 38. To take a concrete example, let us suppose that X claims in his balance-sheet Rs. 600/- from Y, whereas the latter has issued a voucher for Rs. 595/- only. The difference of Rs. 5/- is collected from X. If X's balance-sheet shows a credit balance, the excess amount claimed by him is deducted from it or the X's due to him is added to it. In case his is a debit balance, the X's claim is added to or excess due deducted from the debit according as the opposite party does or does not admit the claim. The other side of the transaction can also be thought of, e.g. if a voucher is issued in favour of a member, but he does not claim it, the amount is paid to the member, on the authority of the voucher, though he has not claimed it. Arrangements are entered into with the the State Bank of India to open a fresh account for each settlement clearing, for receipt of payment made to the credit of the Clearing House settlement account on the settlement day and the inward payment day. The Bank is requested to forward a statement showing the amounts paid by members to the credit of the settlement account before 10-30 a.m. the next day. It also certifies at the end of the inward payment day whether all cheques paid by members are cleared or not. All cheques are required to be crossed and order, bearing the number of the settlement clearing. Any balance remaining in the clearing settlement account is transferred to the adjustment account, and the settlement account is closed and cleared up, so that a new settlement account may be opened free from confusion. In order to avoid a cheque of a particular clearing being paid from the amount of the next clearing, all cheques issued are stamped on the reverse to the effect that cheques must be presented for encashment not later than one or two days previous to the next settlement. On the day preceding the next

settlement, the Bank is requested to close the previous settlement account and to transfer the balance, if any, to adjustment account.

Tenders against Hedge Contracts and Delivery Orders :—

What are Tender Days ? :—The first and the last working day of each delivery period and every Monday and Thursday between these days (except when such day falls on a holiday fixed by the Board or on a settlement day) are known as “tender days” These days, however, may be varied from time to time. On tender days members who have entered into hedge contracts for the delivery of cotton during any delivery period send in to the Clearing House Form 4 (Instruction Form) containing a full list of such contracts in units of 50 bales and showing the net long or short interest of the member. In Instruction Forms submitted subsequent to the first tender day, every member shows the variation from his position under the previous form submitted. Such variation may be due to :—

- (a) covering of sales or liquidation of purchases ;
- (b) issuing or taking over delivery orders.

These are submitted merely for the information of the Clearing House and returned to the member when done with. In the absence of a member's Instruction Form as required above, the member in question, on receiving a tender, becomes the last buyer. Mistakes in Instruction Forms are permitted to be rectified, while the work of passing on of tenders is in progress, on payment of a penalty of Rs. 25/- or so dependent on the time of the discovery of such mistakes. On tender days other than the due date, correction of mistakes is permitted on payment of a penalty of Rs. 5/- per each mistake. Every member submits to the Clearing House on the first day of the delivery period a statement showing his short or long position as at the close of business on the preceeding working day and showing separately his position on his account as well as that on his client's account. Any member desiring to deliver cotton against a hedge contract sends in to the Clearing House not later than 1-30 p.m. on any Tender Day and 2 p.m. if such day falls on a

Monday not being a due date, particulars of his tender on the Clearing House Delivery Order Forms (Forms 5 and 6). These Forms are appended at the end of this chapter and are self-explanatory. If the member, however, elects to deliver the cotton upcountry, he indicates the place and specifies the date of declaration in Form 5, the names of the seller and his immediate buyer. On receiving these forms, the Clearing House posts immediately on the Notice-board of the Association, the name of the last buyer along with the name of the original tenderer and it gives each tender a register number and enters in the delivery order the difference in value between the standard basis of the contract and the particular description of the cotton tendered under the contract, as fixed under bye-law 55, subject to discount or premium for variety. An important work that the Clearing House of the E.I.C.A., Ltd., performs is to pass on delivery orders. Every hedge contract has a period of one month in which 25 days are specified as the delivery period. During that period specified, cotton can be delivered by the seller. The one characteristic feature of a hedge contract, as already noticed, is that it is bought and sold in great frequency and the work of determining the last buyer becomes a difficult matter. The Clearing House undertakes to do this work for the seller. The Clearing House ascertains the last buyer from the reports of business submitted to it by all the members and informs him that he has to weigh over cotton. When the delivery order is thus passed on, it implies that the first seller and the last buyer have made contract with one another, according to the provisions of bye-laws without prejudice to the contract entered into by either of them with intermediate parties. The Pucca Delivery Order (Form 6) is stamped with the official stamp of the Clearing House. The last buyer is not permitted to re-tender any delivery order passed on to him by the Clearing House and is expected to make the necessary arrangements in regard to stamping, arbitration and appeal. He has to pay for the cotton at the rate mentioned in the delivery order, for the actual weight delivered but for the purpose of settlement and the adjustment of accounts as between the intermediate parties on delivery orders passed on, the weight of all bales is taken to be $3\frac{1}{2}$ cwts. net per each bale. There are other matters such as adjustment of differences on cotton weighed

over, rejection or failure of members or payment of registration of tenders, but they are all matters of procedural details which can be ascertained from the bye-laws of the Association.

V. Regulation of Cotton Trade—Final Observations

Students of organised commodity markets all over the world know that a faulty technique of trade in futures with a heavy dose of speculation is as harmful to the growers or producers as it is dangerous to traders. It is now universally recognized that unorganised and uncontrolled speculation is a socially harmful activity. Since in our market or free price economy, futures trading does fulfill a distinct economic purpose by providing safeguards against price-hazards or fluctuations, instead of abolishing such trade activity, it becomes imperative in the interests of the community in general to regulate such trade and it is the State alone that is best qualified to provide the requisite control or regulation. It was in the fitness of things, therefore, that the Forward Contracts Regulation Act 1952 was passed in this country. The Forward Markets Commission which is functioning under the Act has during a brief period of its existence seized the initiative in the matter of checking excessive speculation in commodity futures. It contemplates assuming a greater degree of control on the day-to-day working of the commodity futures markets. Although the initiative has passed in many matters from a recognized association to the Forward Markets Commission, the fact remains that in so far as futures trading in cotton in Bombay is concerned a single association has been up to now enjoying the monopoly of regulating the trade in order to preserve uniformity of procedure. This fact has in consequence engendered a certain amount of rigidity in the organisation and working of the E.I.C.A., Ltd., which the Forward Market Commission is cognisant in so far as cotton trade is concerned. The Forward Markets Commission is thinking of introducing reforms in many directions in the working of the Association and has already assisted in the decentralisation of the trade in cotton by permitting the organisation of two futures trading associations viz. one at Akola and another at Indore. It is understood that the Forward Markets Commission has formulated far-reaching proposals which, while checking the opportunities of gambling

in the cotton market would not have the effect of hampering the *bona-fide* hedging activity. One of the proposals relates to the more extensive use of the Clearing House. The Commission has decided that all future transactions must be cleared through the Clearing House in order to have a clear idea of the open position of individual traders. Simultaneously, delivery contracts at Sewri will also be regulated for the purpose. A demarcation between transferable and non-transferable delivery contracts would be prescribed and the terms relating to staples, grades, origin of growth, period of delivery would be specified in respect of each transaction. In order to prevent speculation through these channels the commission has decided to call for weekly reports in respect of transferable contracts. The account in respect of these contracts will have to be compulsorily settled through the Clearing House. A Second suggestion relates to the introduction of a graded system of margins on outstanding business. It is found that the existing scale of margin that is enforceable in respect of business exceeding 10,000 bales is rather low ; and the Commission would like the E.I.C.A. Ltd. to introduce the system of margins on a slab basis for the open contracts in excess of 2,500 bales. A third major proposal relates to the introduction of a system of emergency clearing in times of wide price fluctuations. It is proposed to arrange for special clearing before the settlement days as and when the contract price varies from the previous settlement rate by more than Rs. 30/- per candy ; another suggestion relates to the imposition of a curb on option dealings. In the opinion of the Commission a major drawback of the Bombay Cotton Market lies in its inability to stop option dealings. To make up for this deficiency the appointment of a permanent Vigilance Committee has been urged. Simultaneously, traders would be compelled to give detailed information in regard to their business to the Forward Markets Commission. It is also proposed to replace the present system of Sworn Surveyors by a system in which buyers and sellers can nominate their surveyors from among approved surveyors. Another significant change which the Forward Markets Commission contemplates introducing is in regard to the delivery months. The recent working of the futures trading in Bombay has revealed that the smooth working of a particular con-

tract can be disturbed by the inadequacy of supply of cotton tenderable during the delivery period. To overcome this difficulty the present months of delivery are proposed to be changed and trading in the two contracts simultaneously permitted. The question of rationalising the system of fixing tendering differences is also engaging the attention of the Forward Markets Commission. If the various reforms are to be implemented there will have to be another overhaul of the relevant existing bye-laws of the E.I.C.A. Ltd. before long. Before facilities for hedge trading in the 1956-57 cotton crop are provided the mechanism of futures trading in cotton in Bombay will have undergone a radical revision. This development is, however, viewed with not a little amount of apprehension by the cotton traders because with the opening of two organised markets in the mofussil, it is believed, that the volume of business available in futures market in Bombay would appreciably be reduced. Not only that but it is also apprehended that Bombay will be robbed of its monopolistic position of the country's single futures market for cotton; further it will also lose much of the glamour which the cotton trade has today.

CHAPTER V

Appendix I

A Note on Trading in Hedge Contracts for 1956-57

The resignations of Sir Purshottamdas Thakurdas, President of the E.I.C.A., Ltd., Bombay, and of Shri Parekh, Vice-President of the Association, announced during April, 1956 brought to the fore the basic and long drawn conflict between the Association and the Forward Markets Commission. The control sought to be exercised by the Forward Market Commission has been resented by the Association as being rigid and excessive while the Commission has justified its action as being necessary in the interests of forward trading. Sir Purshottamdas has made references to the causes leading to the crisis in his letter of resignation. He mentions in his letter that he has worked so long to preserve the independence of the Cotton Trade through difficult times but he has found it difficult either to fight with the Government or to carry it with him. He, therefore, has felt it necessary to make way for such members of the trade as may be willing and able to work under the changed conditions. He observes "I do not think that when the Association accepted Government supervision, they expected to have to more or less surrender their initiative and to content themselves merely with carrying out the directives of the Forward Market Commission, both in the matter of prices, and in the matter of day-to-day operations; Future trading is a technical complex, and a delicate art, and in my opinion, it is imperative that its control should be with such persons as are not only knowledgeable but are also in day-to-day touch with it and stand to suffer from the results not only of misdirected policy but also of an error of judgment. This is not to question the wisdom of a strictly impartial overall superintending body, provided such a body attends to the general direction of the trade but does not interfere in the detailed and day-to-day working of the Association. The cotton grower in India is not vocal and is unorganized; whereas there has recently been so much stress laid by the Forward Markets Commission on a rise in price and ceil-

ing within a ceiling, there is conspicuous absence of stress on the need for the grower to secure a fair price in accordance with the forces of supply and demand as may be available to him, even within the limitation of the official ceiling prices which are well below the world prices. In a Press Note which carries the Commission's reaction to the statements made above, the Commission has stated that the resignation has not come as a surprise, as Sir Purshottamdas had neither been able to attend the meetings of the Board of the E.I.C.A., Ltd., of late, nor had he been easily accessible for discussion during the last three months. The Commission proceeds to add further that there had been no contact of any kind between him and the Commission. According to the Press Note, "It was obvious that this state of affairs could not be in the best interest of cotton trade". The Commission has further stated that it shared the view that the detailed day-to-day working of the E.I.C.A., Ltd., should be ordinarily with the trade, but it had to be in conformity with certain general principles which the supervising authority has to lay down in the interest of the trade and in the public interest. It further adds: "The Association could not have been unaware of the implications of the Forward Contracts Regulation Act, 1952, when it sought recognition under it and recognition has been granted to it on the express condition that it shall comply with such directions as may from time to time be given by the Commission. The Commission has always believed that the regulation of forward markets was the business in which the recognized associations and the Commission had to work hand in hand. The initiative rested with either and the final decision had to be taken after full discussion of the issues involved. The Commission had dealt with all requests from the Association with speed and consideration and has always preferred to put forward proposals for the consideration of the Association rather than to issue them as directives. The Commission has likewise shown the greatest courtesy to Shri Purushottamdas personally. It is sad to record, however, that any proposal from the Commission has been looked upon with resentment and the Commission has had difficulty on occasions even in arranging for representatives of the Association to meet it for discussion. It is curious that trading interests should claim to be the sole custodian of the interests of the growers. It is because of the fact that the Com-

mission has the growers in mind and believed that Forward Markets would eventually be in their interests that it has recommended the opening of a number of markets in the mofussil areas so as to be within their easy access. The question of prices, however, is not one which could be determined merely by forces of supply and demand or in the interest of one section of the community. It has to be decided in the context of various factors such as the national income of the country and the requirements of its planned development. The closure of the cotton market in December 1955 was necessary in order to prevent a squeeze on the February 1956 contract. The interests of the growers, however, were not prejudiced as they were able to sell their stocks in the ready market”.

The Commission has also emphasized that it has certain statutory responsibilities and must keep forward markets under observation. It stresses that the nature of its duties is comprehensive and it will discharge them without fear or favour. It has declared that while it is anxious not to hurt the susceptibilities of the trade or cause it any inconvenience, it cannot allow itself to be overawed into indicating its functions”.

The immediate cause of the crisis is reported to be a number of letters addressed by the F.M.C. to the Association making certain proposals to be discussed with the representatives of the Association and certain directions regarding various other matters. It is learnt that these letters dealt with such matters as the reopening of the August 1956 contracts, proposals for hedge contract for the season, fixation of maximum prices and of margins, amendments to bye-laws relating to contracts, prohibition of options and so on. The Commission's directives to the Association are believed to be contained in a few of these letters. In the first place, the Commission wanted that the minutes of the meeting of the Board, reports of the Committee, of the Board and other relevant papers should be made available to it; secondly, the Commission held that certain amendments were necessary in the bye-laws in regard to fixation of maximum and minimum prices. The amendments should ensure that maximum and minimum prices are fully effective even during the delivery period and any prices fixed should be fixed with the concurrence of the Commission.

Secondly, the Association had been asked to provide that the due date rate fixed should not be higher or lower than the maximum and minimum prices respectively fixed under Bye-law 32. If the due date rate is equal to the minimum price and the last buyer of a hedge contract does not begin to take delivery after the time for it had expired and no arbitration was arranged, the contract should be closed at the due date prices.

Thirdly, in view of the high percentages of modification of surveyors' decisions by the appeal committee, the Commission pointed out that the existing system of full-time sworn surveyors had not yielded the desired results. It, therefore, suggested the consideration of a system in which a buyer and a seller could nominate from a panel of surveyors by the Association in consultation with the F.M.C. If the two surveyors differed among themselves, they could jointly select an umpire whose decision could be final. This system, in the opinion of the F.M.C., would obviate the need for maintenance of fulltime sworn surveyors at great cost.

Fourthly, as regards the election to the posts of the President and the Vice-President, the Association was requested to so amend their relevant bye-laws as to ensure that no person held the position of the President or Vice-President continuously for a period longer than five years.

Fifthly, in regard to non-transferable contracts, the Commission has found that they were often in practice transferred resulting in a breach of the Forward Contracts Regulation Act. It, therefore, suggested that special delivery contracts should be classified as non-transferable and terms relating to staples, grades, place of growth, period of delivery relating to each class should be specified. Information on these contracts should be reported to the Commission once a week. Differences relating to these contracts should be paid only through the Clearing House.

Sixthly, the Commission also asked the Association to set up a permanent Committee to put a stop to business outside official hours and option dealings.

Seventhly, it further suggested modifications in the margin system including the reduction of the free-limit of open position

from the present level of 10,000 bales to 2,500 bales. The suggested margins were:—

- (1) Up to 2,500 bales. Nil.
- (2) From 2,500 to 10,000 bales ... Rs. 6 per bale.
- (3) From 10,001 to 20,000 bales ... Rs. 8 per bale.
- (4) From 20,001 bales to 30,000 bales ... Rs. 10 per bale.
and
- (5) Over 30,000 bales ... Rs. 12-8-0.

The basis for determining the liability to pay margins, it was mentioned, should be the net open position at the end of the settlement period instead of the higher net position during the period.

Eighthly, a special clearing was recommended to be provided if the price of any contract varied from the last settlement by more than Rs. 30/- per candy.

Lastly, the Commission recommended the adoption of measures whereby the nature of data presented by members of the Association using the Clearing House could be improved. Thus only the contracts made by members with other members should be included in statements; the contract made by members with non-members should be shown separately. Members should show separately the contracts entered into on behalf of their clients and on their own. Members who did not themselves enter into contracts but asked other members to enter into contracts on their behalf should report the contracts to the Commission in a separate form.

In regard to the new contracts for 1956-57 season, the most important of the proposals made by the Commission for the consideration of the Association was the one relating to the division of the present Indian Cotton Contract now known as the 'Hedge Contract' into two in order that hedging facilities could be made available to all varieties of cotton grown in the country and to see that the contract was balanced offering a safe hedge to all interests and not made vulnerable to bear squeeze or raid. In particular the Commission sought the advice of the Association on—

- (1) Whether there should be one contract or two contracts in the light of the need for providing hedging facilities for different varieties and for hedging being started in mofussil centres.
- (2) Whether the present months of delivery (February, May and August) should be altered so as to ensure adequate supply of cotton of tenderable varieties during the delivery period of each contract.
- (3) Whether bye-law 55 relating to fixation of tendering differences should be replaced by a provision for the fixation of varietal differences on the basis of their intrinsic merit before the commencement of each season and holding good for all contracts during the season.
- (4) Whether the Seller should be required to declare on 25th of the month preceding the delivery month the extent to which he will give delivery against outstanding contracts and the extent to which he would buy back his contract.
- (5) Whether fresh trading during the delivery period except for purposes of clearing up all existing contracts should be prohibited. In order to improve the representative character of the Association the Commission suggested a fourfold classification of membership, viz., (1) mills, (2) dealers, (3) exporters and importers, and (4) brokers.

Further, the 12 seats on the Board were suggested for reallocation among the four panels so as to give two seats each to mills and exporters and importers and four seats each to brokers and the dealers. The proposals regarding the division of the contract into two was considered by the Hedge Contract Committee of the Board in the first instance and this Committee was divided on the issue, the majority recommending two hedge contracts and the minority sticking to a single contract. The majority decision was later endorsed by the Board and finally approved by the informal meeting of the representatives of the authorised members of the Association on 14th June 1956.

According to the report of the majority of the Hedge Contract Committee, there should be two hedge contracts for trading purposes as the present single hedge contract does not provide a realistic hedge protection. The main defect in the present single hedge contract is that varieties having a premium value even to the extent of about Rs. 400/- over the basic variety are tenderable against the contract. This factor divorces the contract price from the actual spot value and does not afford a hedge protection to the spinner, merchant or grower. It is, therefore, necessary to divide the contract into two making almost all the varieties grown excepting the Deshi varieties, tenderable against the contract. The premium value over the basic varieties in these two contracts would not be more than Rs. 100 and 150. This would afford a real hedge protection to the spinner, the merchant and the grower and the contract price would not be divorced from the spot prices, that is to say, they would be nearer the spot prices and not very wide as at present. Of the two contracts, Contract No. 1, according to the Report of the Committee, should be fine MG Jarilla staple 25"/32" and Contract No. 2 would have for its basis fine MG Vijaya staple 27"/32". The months of delivery in respect of the former will be March, May and July and in the case of the later, April, June and August.

The report of the members recommending only one single hedge contract observes, on the other hand, that a single contract as at present would have a better chance of working smoothly than two hedge contracts. Among the reasons given for this decision was included the experience that the cotton is still very largely dependent upon the vagaries of the monsoon. The opening of the upcountry markets at Akola and Indore would provide facilities for hedge trading in local growths. These two markets would cater for almost the whole of Jarilla tract covering a crop of about 14 lakh bales. A single contract would help in keeping prices at reasonable levels. The report further mentioned that the statistical position of cotton which had seriously deteriorated as the result of Partition, had not yet fully recovered to the earlier position. Moreover, the mill consumption of Indian cotton had shown a tendency to rise. The report con-

cluded that for the present a single contract would be a better solution, and it recommended that the basis of the contract should be Fine MG Jarilla Staple 13"/16", off and on as at present.

With regard to the system of margins, the Board decided to impose margins above the level of Rs. 7,500/-. A slab system had been proposed by the majority of Directors, that is to say, 5 per cent. on Rs. 15,000/-, 7-1/2 per cent for the business between Rs. 15,000/- and Rs. 20,000/- and 10 per cent for the business between Rs. 20,000/- to Rs. 25,000/-. It may be noted that the Central Government was seriously considering the question of fixing the revised floors and ceilings for the new contracts and it was believed that the ceiling for the standard variety would be lowered by about Rs. 25/-. The F.M.C. granted permission to the E.I.C.A., Ltd., to commence trading in the Jarilla contract for March 1957 delivery and the Vijaya contract for April 1957 delivery with effect from 18th June 1956.

With the resumption of forwarding trading on June 18 all the obstacles standing in the way of commencement of Futures Trading in cotton were overcome. It might be recalled that the Bombay Cotton Futures Market remained closed since January 25, 1956 and the question of its reopening had been under the consideration of the Commission for some time past. In April 1956 the Commission made a number of proposals for modifications in the bye-laws and articles of Association of E.I.C.A., Ltd., and it requested the Association to submit proposals for the revision of the existing Indian Contract. These proposals contained in a few of the letters addressed to the Association which led to the resignation of Sir Purshottamdas Thakurdas, President, and Shri C. P. Parekh, Vice-President of the Association. The new President has been able to bring about a compromise between the Association and the F.M.C. The various proposals made by the F.M.C. were considered by a Sub-Committee of the Board and later by the Board itself. They were also discussed by the President of the Association with the F.M.C. As a result, several amendments have been effected in the bye-laws of the Association. The principal features of these amendments, as could be seen from the amended text are briefly summarised below:—

Firstly, there will be two hedge contracts, viz., one with Jarilla 25"/32" fine as its basis, and the other with Vijaya 27"/32" fine as its basis.

Secondly, the delivery months for contracts have been advanced so as to ensure larger supplies of tenderable cotton during the delivery periods.

Thirdly, the margin system has been tightened up and a provision for special clearing has been introduced.

Fourthly, the provisions regarding the reporting of information by members have been made more comprehensive.

In announcing the resumption of trading the Board of the E.I.C.A., Ltd., in a circular addressed to the members cautioned them against accumulation of large speculative interests in the contracts and further observed, "the Board would keep a close watch on the working of the two hedge contracts so that such changes as may be found necessary from the experience of the working of the contracts will be made before permitting trading in the subsequent delivery months".

The texts of some of the important bye-laws amended in consultation with the F.M.C. which have received the assent of the Central Government in their various Notifications issued during the year 1956 as also a copy the amended hedge schedule as per newly amended Bye-law 53 are given below:—

The words "Indian Cotton Contract" wherever they appear in the Bye-laws are replaced by the words "Hedge Contract" as per amended Bye-law 1. Some minor amendments have also been effected in Clearing House Forms Nos. 5 and 6, and the amended forms also accompany. (*vide* Appendix 4).

No. of the
Bye-law.

Text of the Bye-law amended or addition made therein or portion deleted thereof.

1. Hedge Contract means a forward contract described in Bye-law 53.

47. (1) No member shall enter into any Hedge Contract in new crop in any year before such date as may be fixed in that behalf by the Board with the previous approval of the Forward Markets Commission.
- (3) No member shall enter into delivery contracts in new crop in any year before such date as may be fixed in that behalf by the Board.
- (3) Any member entering into contracts in contravention of the provisions of this Bye-law, may, in addition to all other penalties, be dealt with under Bye-law 17.
- 47AA. (1) If, on any day at the close of business in the Trading Ring, the price of the Hedge Contract shall have risen above Rs. 25 below the ceiling price (which price of Rs. 25 below the ceiling price is, in this clause, referred to as the *marginal line*), the Chairman shall forthwith cause a notice to that effect to be posted on the Notice Board and every Member shall on the day following deliver to the Clearing House a statement showing his outstanding purchases as on the day of the notice and shall pay into the Clearing House a deposit calculated at Rs. 35 per bale on the number of bales shown in such statement. After the posting of such notice every member shall daily deliver to the Clearing House a statement showing his purchases on the preceding day and shall pay into the Clearing House a deposit calculated at Rs 35 per bale on the number of bales shown in such statement as having been purchased above the marginal line. If in any such statement a purchase is shown as having been effected below the marginal line and if at the close of business in the Trading Ring on any day the price of the Hedge Contract shall have risen above the marginal line then on the first occasion on which that happens the member concerned shall pay into the Clearing House a deposit calculated at Rs. 35 per bale on the number of bales contained in such purchase. Notwithstanding anything to the contrary contained in this Bye-law, no

deposit shall be paid in respect of purchases effected by a member to cover a short position.

- (2) If on any day at the close of business in the Trading Ring, the price of the Hedge Contract shall have fallen below Rs. 25 above the floor price (which price of Rs. 25 above the floor price is, in this clause, referred to as the *marginal line*), the Chairman shall forthwith cause a notice to that effect to be posted on the Notice Board and every member shall on the day following deliver to the Clearing House a statement showing his outstanding sales as on the day of the notice and shall pay into the Clearing House a deposit calculated at Rs. 35 per bale on the number of bales shown in such statement. After the posting of such notice every member shall daily deliver to the Clearing House a statement showing his sales on the preceding day and shall pay into the Clearing House a deposit calculated at Rs. 35 per bale on the number of bales shown in such statement as having been sold below the marginal line. If in any such statement a sale is shown as having been effected above the marginal line and if at the close of business in the Trading Ring on any day the price of the Hedge Contract shall have fallen below the marginal line then on the first occasion on which that happens the member concerned shall pay into the Clearing House a deposit calculated at Rs. 35 per bale on the number of bales contained in such sale. Notwithstanding anything to the contrary contained in this Bye-law no deposit shall be paid in respect of sales effected by a member to liquidate a long position.
- (2A) Notwithstanding anything contained in clauses (1) and (2) if the floor and ceiling prices fixed by the Textile Commissioner under the Essential Commodities Act, 1955 (10 of 1955), in respect of Fine Jarilla 25/32" and Fine Vijay 27/32" for the season 1956-57 are not less than such prices fixed for such descriptions for the season 1955-56, the deposit payable into

the Clearing House for purposes of clauses (1) and (2) shall be calculated—

- (a) at Rs. 50/- per bale if the price of the Hedge Contract shall have risen above Rs. 25/- below the ceiling price or fallen below Rs. 25/- above the floor price, and
 - (b) at Rs. 35/- per bale if the price of the Hedge Contract shall have risen above Rs. 50/- below the ceiling price or fallen below Rs. 50/- above the floor price.
- (3) The Board shall have power to prescribe the form and contents of any statement to be submitted under this Bye-law and to amend the same from time to time.
 - (4) The Board shall also have the power to require any member to produce by himself or his clerk any books or documents in his possession, power or control in any way relating to any transaction shown or alleged to have been omitted from any such statement.
 - (5) No deposit paid under this Bye-law shall carry any interest ; such deposit shall not be repayable until the day following the due date of the contract, provided that:
 - (i) if a member shall have subsequent to the payment of the deposit squared up or reduced his outstanding position, the deposit shall be repayable to the full extent or to the extent of such reduced position, as the case may be, after the second clearing subsequent to the date of squaring up or reducing of such position ;
 - (ii) if the price of the Hedge Contract shall have continued to remain outside the level of Rs. 50/- below the ceiling price or the level of Rs. 50/- above the floor price for a continuous period of 4 weeks, the deposit shall be repayable at the end of such period of four weeks ;

(iii) if the price of the Hedge Contract shall have continued to remain between the levels of Rs. 50/- and Rs. 25/- below the ceiling price, or Rs. 50/- and Rs. 25/- above the floor price, for a continuous period of 4 weeks, the deposit paid in excess of Rs. 35/- per bale shall be repayable at the end of such period of four weeks.

- (6) The marginal line and the rates at which deposits shall be calculated for payment into the Clearing House, may be altered by the Forward Markets Commission from time to time by notice to the Chairman if the Forward Markets Commission is of the opinion that it is expedient in the interest of the trade so to do, and where any such notice has been given to the Chairman, the provisions of this Bye-law shall have effect from the date of such notice as if the altered figures had been specified in this Bye-law.

50. The only additions to the existing Bye-law are the following :—

- (g) No person shall, on and after the first day of a delivery month of the Hedge Contract trade, in the Hedge Contract for delivery during such month except for liquidation of a long or short position by the sale or purchase of contracts during such month up to 1 p.m. on the due date. Any person who contravenes this provision shall be liable, in addition to any other penalty, to such fine as the Board may fix.
- (h) No person shall trade in a Hedge Contract during such period as trading therein shall have been lawfully suspended or prohibited by any competent authority.

51. The only addition to the existing Bye-law is as follows (*vide* clause (e) of the amended Bye-law):—

The Forward Markets Commission may, in any case where in its opinion an emergency exists, and the Board has not taken any action contemplated by this clause, direct the closure of the market for a period not exceeding three consecutive days; and may, if the Forward Markets Commission is of the opinion that it is necessary so to do, direct the extension of closure for such further period not exceeding three days at a time as the Commission may think fit, so that the total period of closure shall not exceed fifteen days.

- 51A. The following rates of margin in lieu of those in the existing Bye-law are prescribed :—

On the first 7500 bale at the rate of rupee nil per bale.

On the next 7500 bales at the rate of Rs. 5/- per bale.

On the next 5000 bales at the rate of Rs. 7/8/- per bale.

On the next 5000 bales at the rate of Rs. 10 per bale.

On all bales in excess of 25,000 bales at the rate of Rs. 12/8/- per bale.

**Power of the Forward Markets Commission
to fix margins and maximum
quantity for trading**

- 51AA. Notwithstanding anything contained in Bye-law 51A, the Forward Markets Commission may, if the interest of the trade or public interest so requires, by order.

- (a) Prohibit for such period as may be specified in the order trading in Hedge Contracts in excess of such quantity as may be so specified, or

- (b) Fix, from time to time, for the purposes of payment of margin the quantities relating to the net open position in respect of which deposits by way of margin should be paid or the rates of margin mentioned in the said Bye-law, or both.

Existing wording

52. (1) (i) "If in the opinion of the Board an emergency has arisen or exists, the Board may by a resolution of not less than 75 per cent of the members present etc. etc."

Slight changes have been made in this Bye-law as shown below and the two provisoes are deleted :—

Changed wording

52. (1) If in the opinion of the Board an emergency has arisen or exists, the Board may, by a resolution passed by itself at a meeting specially convened in this behalf and concurred in by the Forward Markets Commission, or by a resolution, passed by majority of not less than seventy-five per cent of the members present (a fraction being counted as an integer), the number of members present being not less than ten.
- (2) The Board may from time to time by a resolution passed by itself and concurred in by the Forward Markets Commission, or by a resolution passed by a majority of not less than seventy-five per cent of the members present (a fraction being counted as an integer), the number of members present being not less than ten, determine, extend or reduce the period during which a prohibition imposed under clause (a) or (b) of sub-rule (1) shall be in force. The Board may also by a resolution passed by a simple majority and concurred in by the Forward Markets Commission fix the maximum or minimum of rate

or rates for the purpose of trading under clause (a) of sub-rule (1) and may from time to time, by a resolution passed by a simple majority and concurred in by the Forward Markets Commission, vary the maximum or minimum of rate or rates so fixed.

52A. (1) The Board shall by a resolution passed at a meeting specially convened in this behalf and concurred in by the Forward Markets Commission—

- (a) fix a date for the purpose hereinafter contained,
 - (b) fix settlement prices for Hedge Contracts,
 - (c) fix a special Settlement Day.
- (2) Every Hedge Contract for any delivery or deliveries entered into between a member and a member or between a member and a non-member outstanding on the date fixed under clause (1) (a) above shall be deemed closed out at the rate appropriate to such contracts fixed under (1) (b).
- (3) All differences arising out of every such contract between members shall be paid through the Clearing House on the Settlement Day fixed under clause (1) (c) and the Clearing House Bye-laws shall apply accordingly.
- (4) All differences arising out of every such contract between a member and non-member shall become immediately due and payable.
- (5) In Hedge Contracts entered into between a member and a non-member, any margin received shall be adjusted and the whole or the balance thereof as the case may be, shall be immediately refundable.
- (6) In "on call" contracts entered into between a member and a member or between a member and a non-member, in so far as the cotton is uncalled thereunder, or in so far as the price has not been fixed thereunder, the call price shall be deemed to have

been fixed on the basis of the appropriate rate fixed under clause (1) (b).

- 52AA. (1) Whether or not prices at which cotton may be bought or sold are at any time controlled under the provisions of the Essential Commodities Act, 1955, if the Forward Markets Commission is of the opinion that continuation of trading in Hedge Contract for any delivery or deliveries is detrimental to the interest of the trade or the public interest, or to the larger interests of the economy of India and so notifies the Chairman, then notwithstanding anything to the contrary contained in these Bye-laws or in any hedge or on call contracts made subject to these Bye-laws, the following provisions shall take effect.
- (2) Every Hedge Contract relating to the delivery or deliveries notified under clause (1) entered into between a member and a member or between a member and a non-member then outstanding, shall be deemed closed out at such rate, appropriate to such contract, and with effect from such date, as shall be fixed by the Forward Markets Commission and the provisions of clauses (3), (4) and (5) of Bye-law 52A shall apply as if they formed part of this Bye-law.
- (3) In respect of every on call contract in so far as the cotton is uncalled thereunder or in so far as the price has not been fixed thereunder and relating to the delivery or deliveries notified under clause (1) entered into between a member and a member or between a member and a non-member, the call price shall be deemed to have been fixed on the basis of the rate appropriate to such contract fixed under clause (2).
- 52B. Slight changes have been effected in clauses (IV) and (V) in this Bye-law as shown below:—
- (IV) One more sentence has been added to the clause:—“and provisions of Bye-law 47AA shall

apply, and the deposit payable thereunder shall become immediately payable”.

Clause (V):

(V) (b) For the figure ‘12-1/2’ the figure ‘25’ has been substituted.

(V) (c) The figure 6 has been increased to Rs. 20/- per candy.

A new clause (V) (e) has been added and it reads as follows:—

“(e) The provisions of Bye-law 47AA shall apply and the deposit payable thereunder shall become immediately payable”.

52c. This is a new Bye-law. It reads as follows:—

“When the difference between the ruling prices of the two Hedge Contracts amounts to Rs. 25/- or less, an emergency shall be deemed to exist and shall be so declared by the Board who shall at the same time also declare to which of the two Hedge Contracts the emergency relates, and whether the emergency is due to a squeeze or corner or to a bear raid and the appropriate provisions of Bye-law 52B shall then apply to the contract to which such emergency relates”.

52d. This is a new Bye-law. It reads as under:—

“If on any day the rates of either or both the Hedge Contracts rise by more than Rs. 30/- or fall by more than Rs. 30/- per candy over or below the respective last settlement rate, then an emergency shall be deemed to exist and an automatic Settlement Clearing in respect of both the Hedge Contracts shall take place on the second working day thereafter, on the basis of the closing rate of the respective contracts on the day on which the emergency shall be

deemed to have existed. The relevant Bye-laws relating to normal Settlement Clearings shall apply to such Settlement Clearing".

53. For the purpose of hedging, there shall be two Hedge Contracts styled (I) Fine Jarilla Contract and (II) Fine Vijay Contract.

The basis of Fine Jarilla Contract shall be Fine M. G. Jarilla (A) staple 25/32" as per standard to be prepared from Jarilla or Virnar (197/3) cotton grown in Madhya Pradesh or Khandesh District or Madhya Bharat, tenderable up to two classes 'on' and one class 'off' for grade and up to 1/32" 'on' for Jarilla (B) and 2/32" 'on' for other description and 1/32" 'off' for staple, values 'on' and 'off' for grade and 'on' and 'off' for staple, except in the case of M. G. Jarilla (B), M. G. Dhollera and M. G. Rajasthan American, which with basic staple of 3/4" shall have no 'off' value for 1/32" staple.

The basis of Fine Vijay Contract shall be Fine M. G. Vijay staple 27/32" as per standard to be prepared from Vijay Cotton grown in Bombay State, tenderable up to two classes 'on' and one class 'off' for grade and up to 2/32" 'on' and 1/32" 'off' for staple, value 'on' and 'off' for grade and 'on' and 'off' for staple.

The descriptions of cotton and their respective basic staple lengths tenderable under (I) Fine Jarilla Contract and (II) Fine Vijay Contract shall be as specified in column (2) of the Hedge Schedule. The maximum staple length tenderable shall be as specified in column (3) of the Hedge Schedule appended to these bye-laws.

The following standard samples for class shall be prepared for each of the descriptions specified in column (2) of the Hedge Schedule appended to these Bye-laws.

Extra Superfine, Superfine, Fine (Basis), Fully Good and Good to Fully Good (i.e., half a class 'off' Fully Good).

Cotton below the standard "Fully Good" shall be rejected.

The followig standards for staple shall be prepared:—

23/32", 3/4", 25/32", 26/32", 27/32", 7/8" 29/32", 15/16" and 31/32".

Months of Delivery :

(I) Fine Jarilla Contract—March, May and July.

(II) Fine Vijay Contract—April, June and August.

*Delivery Period :—*1st to the 25th of the month.

54B. The Board has made certain changes in the places tenderable in exercise of the powers vested in it and the latest position is already indicated elsewhere in the appropriate place.

55. Tendering differences, that is—

(a) Premia or discounts for descriptions of cotton tenderable other than basic cotton and for "class" or "grade",

(b) "On" allowances for staples of 1/32" and 2/32" above the staple lengths specified in column (2) of the Hedge Schedule but—

up to 25/32" for M. G. Jarilla (B) ;

up to 27/32" for Basic Jarilla (A), M. G. Kalyan and M. G. Western ;

up to 13/16" for M. G. Dhollera and M. G. Rajasthan American ;

up to 29/32" for Basic Vijay, M. G. Ankleshwar, R. G. and S. G. Punjab/American L.S.S. and 320F, M. G. Jayadhar (B), M. G. Gaorani 6 and 12 and M. G. Karunganni ;

up to 15/16" for M. G. Surti, R. G. and S. G. Punjab/American 216F, M. G. Jayadhar (A), M. G. Laxmi (B), M. G. Buri and Parbhani Americans ;

up to 31/32" for M. G. Laxmi (A) and M. G. Cambodia,

(c) 'off' allowances, except for Jarilla (B), Dhollera and Rajasthan American for staples of 1/32" and 2/32" under the staple lengths, specified in the Hedge Schedule,

shall be fixed on or about the 25th of the month preceding the commencing of a delivery period.

The rest of the Bye-law remains unchanged.

- 55A. Clause (d) and the proviso thereto have been deleted. A new clause has been substituted and it reads as under:—

"(d) Only the basic cottons in each contract, namely, Fine Jarilla 25/32" staple and Fine Vijay 27/32" staple respectively, as well as class differences awarded in arbitration on styles, i.e., for grades, shall be excluded from the above restrictions.

Rejection of Tenders

61. Clause (1) of this Bye-law only has been amended. It reads as under:—

"(1) Cotton will be considered *not a fair tender* if it is declared not of the description sold, or if it does not conform to Bye-law 53 or Bye-law 54 (a), or is awarded more than a *class and a half off* or if it is found to be fraudulently packed, in each of which cases the cotton shall be deemed to be rejected, and the buyer shall invoice it back to the seller at the appropriate Hedge Contract rate fixed by the Daily Rates Committee for the day following that

on which the final award is given under Bye-law 36, and if the final award shall have been made on the day previous to the due date or thereafter, at such rate as shall have been fixed for the due date by the Board under Bye-law 32, or in case of arbitrations other than those relating to quality under Bye-law 38, at such rate as may be fixed by the arbitrators or umpire and in case of appeal by the Board. Such a tender [except a tender contravening only the provisions of Bye-law 54 (a) (5)] shall also be liable to such penalty not exceeding Rs. 50/- per candy as may be fixed and imposed by the Board, provided that in any such case no penalty exceeding Rs. 25/- per candy shall be fixed and imposed by the Board except with the approval of 75 per cent of the Directors present at its meeting”.

The rest of the Bye-law remains unchanged.

64. A slight change has been effected in this Bye-law. For the words “the buyer shall invoice it back at the *spot rate of the cotton* contracted”, the words “the buyer shall invoice it back at the *appropriate due date rate* fixed by the Board under Bye-law 32”.
- 85B. This is a new Bye-law and reads as under:—
- “Natural discolouration shall be taken into account for survey purposes in respect of Vijay, Surti and Kalyan cotton, when tendered during the period 1st July to 30th September in any year. Such cotton, if equal to the standard in all other respects, shall be tenderable against the Hedge or Delivery Contracts, with a special “off” allowance not exceeding 1/2 per cent., which shall not be counted for purposes of rejection”.
110. Clause (2).—Only one sentence has been inserted in this Bye-law after the word ‘final’:

“ If the maximum and minimum prices fixed shall continue to be in force till the due date, the price shall be fixed by the Board and their fixation shall be final ”.

148B. Changes effected in this Bye-law relate to the following clauses:—

Clause I (1) (a): ‘ showing collectively particulars and information ’.

Clauses (3) and (4) are newly added.

Clause (3) reads as under:—

“ Prepare and send to the Clearing House, every month, within a week of the expiry of the month, statement in such form as may be prescribed by the Board, showing the sales and purchases of his non-member clients appropriated by him in respect of hedge contracts, during the period covered by the statement ”.

Clause (4) reads as follows:—

“ whenever so required by the Chairman, submit statements in such form as may be prescribed (a) showing the contracts entered into by him on behalf of his constituents and those entered into by him on his own account separately, and (b) showing separately the transactions on behalf of each of the constituents whose net open position in respect of Hedge Contract may be in excess of 7500 bales, during each day covered by the statement.

Clause II: Slight change in the wording is effected as shown below:—

“ Every member of the Association entitled to, but not making use of the Clearing House who may have entered, through a broker member into any Hedge Contract which is outstanding, shall, on each Inward Payment Day and not later than the time specified in

the Clearing House notice under Bye-law 148 for payment in of debit balances under Balance Sheets—

- (1) prepare and send to the Clearing House, statements in such form or forms as may be prescribed by the Board from time to time and in accordance with the instructions contained in such form or forms,

Statement of Business done

(a) showing particulars and information as to the sales and purchases effected through a broker member in respect of Hedge Contracts during, and the resultant net outstanding position, as at the end of each of the working days ending the day previous to the day on which settlement rates have been fixed under Bye-law 141 for such settlement”.

Clause II (b) beginning with the words ‘containing a statement to the effect that in respect of the constituents’ business included therein etc.’ has been deleted.

The rest of the Bye-law remains unchanged.

156. The Bye-law is changed totally. It reads as follows:—

Re-tenders

“Cotton rejected during any particular delivery period shall not be re-tendered during the same delivery period”.

AMENDED HEDGE SCHEDULE AS PER NEW BYE-LAW 53.

Hedge Contract	Descriptions.	Tenderable up to	Places where cotton is pressed or grown
1	2	3	4
	M. G. Jarilla (A) 25/32" staple; tenderable varieties being Jarilla, Virnar (197-3); Verum, M. P. Cambodia, M. B. Cambodia, M. B. Upland, Gaorani (Bani), Malvi, Bhoj, H 420.	27/32"	All places in Nasik, Bijapur, East and West Khendesh Districts (excluding Akkalkuwa and Nawapur Talukas), Sholapur and Poona Districts of the Bombay State, and the States of Madhya Pradesh, Madhya Bharat, Hyderabad and Bhopal excluding places tenderable against Jarilla (B).
	M. G. Jarilla (B) 3/4" staple; (without tolerance).	25/32"	Ahmednagar, Shevgaon, Belapur, Vambori, Shrirampur, Aurangabad, Jalna, Satona and Sailu.
No. 1 FINE JARILLA	M. G. Dhollera 3/4" staple; (without tolerance) tenderable varieties being Dhollera, Cutch, 1027, Kadi/Virangam, Kadayo, Wagotar, Wagad, Lalio, Kalagin and Kalyan (uncertified grown in Saurashtra State).	13/16"	All places in the Saurashtra and Kutch States and Banaskantha District and Patri and Kharakhoda Villages of the Virangam Taluka of Ahmedabad District of the Bombay State.

No. II FINE VIJAY

Hedge Contract	Descriptions.	Tenderable up to	Places where cotton is pressed or grown
1	2	3	4
	M. G. Rajasthan American 3/4" staple; (without tolerance).	13/16"	All places in the States of Rajasthan excluding Shri Ganganagar District and Ajmer.
	M. G. Kalyan 25/32" staple; tenderable varieties being Kalyan, Kalyan cotton grown in Saurashtra (Certified) and Vijay Cotton grown in Cambay and Petlad.	27/32"	All places in Ahmedabad (excluding part of Ahmedabad District lying South of the river Sabarmati, part of Daskroi and City Taluka, the whole of Dehgam Taluka and Patri and Kharaghoda Villages of Viramgam Taluka) and Mehsana Districts, Cambay and Petlad Talukas in the Kaira District of the Bombay State and all places in the Saurashtra State provided the areas in which the cotton has been grown have been protected under the Cotton Transport Act, 1923, or duly certified by the Department of Agriculture.
	M. G. Western 25/32" staple; tenderable varieties being Western, Northern, Hagari 1, (Western Farm) and Nandyal 14.	27/32"	All places in the Bellary District of the Mysore State and Kurnool, Anantapur and Cuddapah Districts of the Andhra State and Gulbarga and Raichur Districts of Hyderabad State.

29/32" All places in the Broach (excluding Ankleshwar, Jhagadia and Dediapada Talukas and part of Nandod Taluka lying south of the river Narbada and Hansot Valia and Sagbara Mahals), Baroda, Kaira (except the Talukas of Cambay and Petlad), Panch Mahals and Sabarkantha District, Nandurbar Taluka of West Khandesh District and part of Ahmedabad District (lying south of the river Sabarmati including part of Daskroi and City Talukas and the whole of Dehgam Taluka) of Bombay State.

29/32" All places in Ankleshwar, Jhagadia and Nandod Talukas, (Rajpipla) Hansot Mahal, Valia Mahal (Netrang), Dediapada Taluka and Sagbara Mahal of the Broach District and Nawapur and Akalkuwa Talukas of West Khandesh District and Kim and Kosamba Talukas of Surat District of the Bombay State.

15/16" All places in the Surat District excluding Kim and Kosamba Talukas of the Bombay State.

Note.—If certification by the Agricultural Department is continued or included in the Textile Commissioner's Notification then

M. G. Vijay 27/32" staple ; tenderable varieties being Vijay, Nandurbar Surti and Dehgam 1027.

M. G. Ankleshwar 27/32" staple ; tenderable varieties being Ankleshwar, Rajpipla, Jhagadia, Netrang and Nawapur

M. G. Surti 7/8" staple ; tenderable varieties being Surti, Suyog and 2087.

Hedge Contract	Descriptions.	Tenderable up to	Places where cotton is pressed or grown
1	2	3	4
			certified 2087 cotton grown in Ankleshwar, Jhagadia, Rajpipla, Netrang and Nawapur should be tenderable against Surti also.
	Roller Ginned and Saw Ginned Punjab/ American, L.S.S. 27/32" staple.	29/32"	All places in Ferozepore District of the Punjab State and Sri Ganganagar District of Rajasthan State.
	Roller Ginned and Saw Ginned Punjab/ American 320F 27/32" staple.	29/32"	All places in the States of the Punjab and Patiala and East Punjab States Union and Sri Ganganagar District of Rajasthan State.
	Roller Ginned and Saw Ginned Punjab/ American 216F 7/8" staple.	15/16"	All places in the States of Punjab, Patiala and East Punjab States Union and the States of Uttar Pradesh and Madras.
	M. G. Jayadhar (A) 7/8" staple.	15/16"	All places in the Dharwar District and Sampa-gaon Taluka of Belgaum District of the Bombay State.

No. II FINE VIJAY

M. G. Jayadhar (B) 27/32" staple.	29/32"	All places in Belgaum (except Sampagaon Taluka), Bijapur, North and South Satara and Kolhapur Districts of the Bombay State and Chitaldurg District of Mysore State.
M. G. Laxmi (A) 29/32" staple; tenderable varieties being Laxmi and M.A. 5.	31/32"	All places in the Dharwar District and Sampagaon Taluka of Belgaum District of the Bombay State and Arsikere Taluka of Hassan District of the Mysore State.
M. G. Laxmi (B) 7/8" staple.	15/16"	All places in Belgaum (except Sampagaon Taluka), Bijapur, North and South Satara and Kolhapur Districts of the Bombay State, Raichur District of the Hyderabad State, Kurnool, Cuddaph and Anantapur Districts of the Andhra State and Bellary District of the Mysore State.
M. G. Gaorani, 6 and 12, 27/32" staple.	29/32"	All places in Nanded, Bidar and Parbhani Districts, Mominabad Taluka of Bir District, Oosmanabad District and Nirmal Taluka of the Adilabad District of Hyderabad State.
M. G. Buri American 7/8" staple; tenderable varieties being Buri American, Buri 107, Indore I, Buri 0394, Udaipur American and Indore 2.	15/16"	All places in the Nimar, Amravati, Wardha, Nagpur, Chanda and Yeotmal Districts of the Madhya Pradesh State, the Madhya Bharat State, the Kotah and Udaipur Divisions of the Rajasthan State and in the State of Ajmer.

Hedge Contract	Descriptions.	Tenderable up to	Places where cotton is pressed or grown
	M. G. Parbhani American 7/8" staple.	15/16"	All places in Adilabad, Kinvat, Utnoor and Boath Talukas of the Adilabad District of the Hyderabad State.
	M. G. Cambodia 29/32" staple; tenderable varieties being Cambodia, Avanshi, Cambodia CO ₂ , Cambodia CO ₄ (including CO ₄ /B ₄₀ and Madras Cambodia Uganda (MCU) 1 and 2) otherwise known as Rajpalayam and also Cambodia CO ₄ , 170-CO ₂ and 134-CO ₂ M.	31/32"	All places in the North Arcot South Arcot, Coimbatore, Salem, Tiruchirappalli, Mathurai, Ramnathapuram, Tirunelveli and Chingleput Districts of the Madras State, Nellore and Chittoor Districts of the Andhra State, Travancore Cochin State and in the State of Bombay in respect of Cambodia CO ₂ , CO ₄ and 170-CO ₂ and 134-CO ₂ M.
	M. G. Karunganni 27/32" staple; tenderable varieties being Karunganni, Tinnevely, Salems (Nadam, Bourbon and Uppam), Karunganni K-2 and Karunganni K-5.	29/32"	All places in the Coimbatore, Mathurai, Ramnathapuram, Tirunelveli and Tiruchirappalli Districts of the Madras State.

Note.—A tolerance of 1/32" is allowed in respect of all the varieties mentioned above, except in respect of Jarilla (B), Dhollera and Rajasthan American, i.e., the buyer shall be bound to take these cottons tendered if they are less by not more than 1/32" than the staple specified in column (2) above.

HEDGE SCHEDULE

Appendix No. 2

Hedge contract	Description	Tenderable up to	Places where cotton is pressed or grown
	M. G. Jarilla (A) 13/16" staple; tenderable varieties being, jarilla, Virnar 197/3, Verum, M. P. Combodia, M. B. Combodia, M. B. Upland, Gaorani (Bani), Malvi, Bhoj, H-420, Buri/American, Parbhani/American and Gaorani 6 and 12.	7/8"	All places in Nasik, Bijapur, East Khandesh, West Khandesh Districts (excluding Akalkuwa and Navapur Talukas), Sholapur Ahmednagar and Poona Districts of Bombay State and States of Madhya Pradesh, Madhya Bharat, Bhopal and Hyderabad.
	M. G. Jarilla (B) 3/4" staple (without tolerance).	3/4"	Places same as above.
	M. G. Gaorani 6 and 12, 7/16" staple.	15/16"	All places in Nanded, Bidar and Parbhani Districts, the Latur Taluka of the Oosmanabad District and Nirmal Taluka of the Adilabad District of Hyderabad State.
	M. G. Vijay 13/16" staple; tenderable varieties being Vijay, Nandurbar, Surti, Talod Surti and Dehgam 1027.	7/8"	All places in the Broach (excluding Ankleshwar, Jhagadia and Dediapada Talukas and part of Nandod Taluka lying south of the river

INDIAN

Hedge Contract	Descriptions.	Tenderable up to	Places where cotton is pressed or grown
			Narbuda and Hansot, Valia and Sagbara Mahals), Baroda, Kaira (except the Talukas of Cambay and Petlad), Panchmahals and Sabarkantha Districts, Nandurbar Taluka of West Khandesh District and part of Ahmedabad District (lying south of the river Sabarmati including part of Daskroi and city Talukas and the whole of Dehgam Taluka) of Bombay States.
	M. G. Ankleshwar 27/32" staple; tenderable varieties being Ankleshwar, Rajpipla, Jhagadia, Netrang, Navapur.	29/32"	All places in Ankleshwar, Jhagadia, Nandod Talukas (Rajpipla) and Valia Mahal (Netrang) of the Broach District and Navapur and Akkalkuva Talukas of West Khandesh District of the Bombay State.
	M. G. Surti 7/8" staple; tenderable varieties being, Surti, Suyog and 2087.	15/16"	All places in the Surti District and Hansot Mahal of the Broach District.

Note:—If certification by the Agriculture Department is continued and included in the Textile Commissioner's Notification then certified 2087 cotton grown in Ankleshwar, Jhagadia, Rajpipla, Netrang and Navapur should be tenderable against Surti also.

COTTON

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M. G. Kalyan 13/16" staple; tenderable varieties being, Kalyan, Kalyan cotton grown in Saurashtra (certified) and Vijay cotton grown in Cambay and Petlad.	7/8"	All places in the Ahmedabad (excluding part of Ahmedabad district lying south of the river Sabarmati, part of Daskroi and city Talukas and whole of Dehgam Taluka) and Mehsana Districts Cambay and Petlad Talukas in Kaira District of the Bombay State. All places in the State of Saurashtra provided the areas in which the cotton has been grown have been protected under the Cotton Transport Act 1923, or duly certified by the Department of Agriculture.
Roller ginned and Saw ginned Punjab/ American L.S.S. 13/16" staple.	7/8"	All places of the Ferozpur District of the Punjab States.
Roller ginned and Saw ginned Punjab/ American 320F 27/32" staple.	29/32"	All places in the States of Punjab, Patiala and East Punjab States Union and Uttar Pradesh.
Roller ginned and Saw ginned Punjab/ American 216F 7/8" staple.	15/16"	All places in the States of Punjab, Patiala and East Punjab States Union and States of Uttar Pradesh and Madras.
M. G. Jayadhar (A) 7/8" staple.	15/16"	All places in the Dharwar District and Sampaon Taluka of Belgaum District of the Bombay State.

Hedge Contract	Descriptions.	Tenderable up to	Places where cotton is pressed or grown
	M. G. Jayadhar (B) 27/32" staple.	29/32"	All places in Belgaum (except Sampgaon Taluka), Bijapur, North and South Satara and Kolhapur Districts of the Bombay State and Chitaldurg District of Mysore State and Raichur District of Hyderabad State.
	M. G. Laxmi (A) 29/32" staple; tenderable varieties being Laxmi and M.A. 5.	31/32"	All places in the Dharwar District and Sampgaon Taluka of Belgaum District of the Bombay State and Arsikere Taluka of Hassan District of the Mysore State.
	M. G. Laxmi (B) 7/8" staple.	15/16"	All places in Belgaum (except Sampgaon Taluka), Bijapur, North and South Satara and Kolhapur Districts of the Bombay State, Raichur District of the Hyderabad States, Kurnool, Cuddapah and Anantapur Districts of the Andhra State and Bellary Districts of the Mysore State.
	M. G. Western 13/16" staple; tenderable varieties being, Western, Northerns, Hagari I (Western Farm) and Nandyal 14.	7/8"	All places in the Bellary District of the Mysore State and Kurnool, Anantapur and Cuddapah Districts of the Andhra State and Gulbarga and Raichur Districts of the Hyderabad State.

INDIAN

COTTON

<p>M. G. Cambodia 29/32" staple ; tenderable varieties being, Cambodia, Avnashii, Cambodia Co2, Cambodia Co3, Cambodia 4462 and Cambodia Co4 (including Co4 B/40, Cambodia Uganda I MU1 and MU2) otherwise known as Rajpalayam and also Cambodia Co4, 170 Co2 and 134 Co2M.</p>	<p>32/32"</p>	<p>All places in the North Arcot, South Arcot, Coimbatore, Salem, Tiruchirapalli, Mathurai, Ramanathapuram. Tirunelveli and Chingleput Districts of the Madras State, Chitaur District of the Andhra and in States of Bhopal and Bombay in respect of Cambodia Co4 and also in the State of Bombay in respect of 170-Co2 and 134—Co2M.</p>
<p>M. G. Karunganni 13/16" staple tenderable varieties being Karunganni, Tennevally, Salems (Nadam, Bourbonn and Uppam) Karunganni K2 and Karunganni K5.</p>	<p>7/8"</p>	<p>All places in Coimbatore, Marhurai Ramanathapuram, Tirunelveli South Arcot, Salem, Tiruchirapalli, Tanjore, Malabar and South Kanara Districts of the Madras State and the Mysore District of the Mysore State.</p>

Note :—A tolerance of 1/32" is allowed in respect of all the varieties mentioned above except in Jarilla (B) i.e. the buyer shall be bound to take these cottons tendered if they are less by not more than 1/32" than the staple specified in column 2 above.

Appendix No. 3

THE GAZETTE OF INDIA
EXTRAORDINARY

PART II—Section 3

PUBLISHED BY AUTHORITY

No. 214

NEW DELHI, FRIDAY, JULY, 22 1955.

MINISTRY OF COMMERCE AND INDUSTRY
NOTIFICATION

New Delhi, the 22nd July, 1955

1. S.R.O. 1613—In exercise of the power conferred upon me by clause 6 of the Cotton Control Order, 1955, I hereby exclude, subject to restrictions and conditions specified in paragraph 2 below, the following clauses or descriptions of contracts relating to Indian cotton produced during the cotton season 1955-56 from the operation of Clause 4 of the said Order, namely (1) ready contract, (2) delivery contract, that is to say, forward contract for cotton (fully pressed, half pressed or loose) specific description and for specific delivery at specified prices, delivery order, railway receipt bills of lading against which contracts are not transferable to third parties, (3) hedge contract for February, 1956 delivery; that is to say, forward contract entered into by members of the East India Cotton Association Ltd., Bombay, entitled to the use of the clearing house of the Association, where such contracts are made in accordance with the rules and by-laws for the Association in the official markets and are for February, 1956 delivery.

2. (i). Nothing in this permission shall apply in relation to (a) any contract for the sale or purchase of any cotton wherein the price stipulated is less than the minimum price or more than maximum price, according to the notification of the Textile Commissioner under Clause 3 of the said Order in respect of Indian cotton produced during the cotton season 1955-56, as applicable to the subject-matter of the contract, having regard to the place

of delivery therein ; (b) any contract of sale by a manufacturer, except under and in accordance with the terms of special permission granted by the Textile Commissioner or the Director (Cotton) ; (c) contract of sale with an overseas buyer for the purposes of export.

2. (ii). Every contract in which the final price is not named shall be construed as if the following clause was inserted therein, namely, the price payable shall be within the range of the minimum and the maximum price fixed by the notification of the Textile Commissioner under clause (3) of the Cotton Control, Order, 1955, in respect of Indian cotton produced during the cotton season 1955-56.

(Sd.) V. NANJAPPA,
Textile Commissioner.
(No. 24(22)-C.T.(A)/55-1)
V. NATESAN, *Under Secy.*

MINISTRY OF COMMERCE AND INDUSTRY NOTIFICATION

. Bombay, dated the 8th October, 1955.

S.R.O. 2243—In exercise of the powers conferred on me by sub-clause (1) of clause 3 of the Cotton Control Order, 1955, I hereby fix the maximum and minimum prices at which Indian cotton of the 1955-56 season may be sold or purchased as under:—

1. Subject to the other provisions hereinafter contained, the minimum and the maximum prices of cotton of the descriptions specified in columns (1) and (2) of schedule 'A' annexed to this notification shall be as specified in columns (3) and (4) respectively of the said schedule :

Provided that where cotton, which is the subject-matter of a contract, is of a quality either inferior or superior to the basic quality referred to in columns (1) and (2) of the said schedule, the minimum or the maximum price shall be decreased or increased, as the case may be, by an amount specified in columns (5) to (7) of the said schedule.

Provided further that no such cotton shall be considered to be of a quality superior to the basic quality as aforesaid unless its superior staple and class have been certified by the East India Cotton Association Ltd., Bombay, and the maximum price of such cotton shall then be in accordance with the description, staple and class mentioned in such certificate.

Provided also that where in relation to any cotton, the buyer or the seller does not accept the certificate of the said Association, the decision of any three members of the Committee specified in schedule 'B' relating to the description, staple or class of the cotton shall be final, and the maximum price of such cotton shall be in accordance with such decision.

2. (1) The prices specified in schedule 'A' are in Rupees per candy of 784 lbs. nett for delivery in full pressed bales ex-seller's godown, Bombay, and include $\frac{1}{4}$ per cent brokerage payable by the seller to the buyer and the usual sample and stone allowance.

(2) The minimum and maximum prices for delivery at any place other than Bombay shall be the prices specified in schedule 'A' less a sum equivalent to the railway freight from the place of origin to Bombay and Rs. 10/- per candy plus the sum, if any, equivalent to the railway freight from the place of origin to the place of delivery to the buyer and Rs. 10/- per candy.

(3) The maximum prices specified in paragraph 1 and sub-paragraphs (1) and (2) of paragraph 2 shall be increased, where the sale is directly to a manufacturer, by $1\frac{1}{4}$ per cent thereof and where the sale is directly to an 'A' class license, by $\frac{3}{4}$ per cent thereof.

(4) The maximum and minimum prices specified in paragraph 1 and sub-paragraphs (1) and (2) of paragraph 2 shall be decreased by Rs. 25/- per candy when the subject-matter of the contract is 'ginned' (that is, unpressed) cotton.

(5) Where cotton which is the subject-matter of a contract is loose cotton obtained by opening a full pressed bale and does not exceed 30 lbs. in weight, the maximum prices specified in paragraph 1 and sub-paragraphs (1) and (2) of paragraph 2 shall be increased by $12\frac{1}{2}$ per cent thereof.

(6) The minimum prices fixed under this notification shall not apply to cotton which is inferior in class or staple to that for which "off" allowances are specified in columns 5 & 6 of schedule 'A' but it shall be open to any person or persons who are required to fix the exact value of any such cotton to fix a value which is less than the price specified for the lowest staple and class of cotton of the description.

(7) Nothing in this notification shall apply to a contract of sale for purpose of export by any exporter with an Overseas buyer or his agent or by a grower or middleman with an exporter or his agent.

A certificate from the Textile Commissioner to the effect that the contract entered into is for the purposes of export shall be conclusive evidence of that fact.

(8) Nothing in this notification shall apply to "Cambodia" "C.O.4" (including "C.O.4/B-40" "Madras Cambodia Uganda

(M.C.U.) 1 & 2”) otherwise known as “Rajapalayam” cotton, “Indo-American 170.C.O.2 and 134-C.O.2-M2”, if they are of staple length of 1” and over and comply with the following conditions :

- (i) The cotton has been grown in an area which is a “Protected Area” under the Cotton Transport Act, 1923 or any corresponding Act ; or every grower of the variety concerned has registered himself with the Department of Agriculture of the State concerned indicating the area planted ”
- (ii) The seeds required for sowing such cotton in the relevant areas have been duly approved and supplied by the Department of Agriculture of the State concerned ; and
- (iii) The ginning and pressing of the crop of such cotton have been done under the supervision of the Department of Agriculture of the State concerned and a certificate of purity has been issued by the said Department for the pressed bales.

3. (a) “Jarilla” means cotton recognised as such and grown in the Nasik, Bijapur East and West Khandesh (excluding Akalkuwa and Nawapur Talukas), Sholapur, Ahmednagar and Poona districts of the Bombay State, and the States of Madhya Pradesh, Madhya Bharat, Bhopal and Hyderabad ; and includes “Verum” “M.P. Cambodia”, “M.B. Cambodia”, “M.B. Upland” “Virnar (197-3)”, “Gaorani (Bani)”, “Malvi”, “Bhoj”, “Malajari” and “Pratap”.

(b) “H-420” means cotton recognised as such and grown in the Nimar, Akola, Amraoti, Yeotmal, Wardha, Nagpur and Buldhana districts of Madhya Pradesh and Kurnool district of Andhra State and includes M.5.A (Malini) and Strain 91 (Shila), provided the area in which the cotton has been grown has been protected under the Cotton Transport Act, 1923 (Act III of 1923).

(c) “Vijay” means cotton recognised as such and grown in the Kaira, Baroda, Broach (Broach, Jambusar, Vagri and Amod talukas), Sabar Kantha, Ahmedabad (Daskroi, Dehgam and City

talukas) and Panch Mahal Districts of the Bombay State and includes "Digvijay" "B.D.8", "B.9" and "Dehgam 1027".

(d) "Surti" means cotton recognised as such and grown in the Surat District, the Ankleshwar, Hansot, Nandod, Jhagadia, Valia, Dedipada and Sagbara talukas of the Broach district and the Nawapur and Akkalkuwa talukas of the West Khandesh district of the Bombay State; and includes "Suyog", "Vijalpa (2087)", "Rajpipla" and Nawapur 1027".

(e) "Punjab American L.S.S." means cotton recognised as such and grown in the States of Punjab, Patiala and East Punjab States Union and Uttar Pradesh and in the Bikaner division of the State of Rajasthan.

(f) "Punjab American 216F" means cotton recognised as such and grown in the States of Punjab, Uttar Pradesh, Madras and the Patiala and East Punjab States Union and includes "Punjab American 320F" and "Punjab American H-14", provided the areas in which the cottons have been grown have been protected under the Cotton Transport Act, 1923 (Act III of 1923) or any corresponding Act.

(g) "Jayadhar" means cotton recognised as such and grown in the Dharwar, Belgaum, Bijapur, North and South Satara and Kolhapur districts of Bombay State and the Mysore State, provided the areas in which the cotton has been grown have been protected under the Cotton Transport Act, 1923 (Act III of 1923) or any corresponding Act.

(h) "Laxmi" means cotton recognised as such and grown in the Dharwar, Belgaum and Bijapur districts of the Bombay State, the Raichur district of the Hydrabad State, the Mysore State and the Andhra State and includes "M.A.5" grown in the Mysore State provided the areas in which the cotton has been grown have been protected under the Cotton Transport Act, 1923 (Act III of 1923) or any corresponding Act.

(i) "Westerns" means cotton recognised as such and grown in the Bellary district of the Mysore State, and the Kurnool (Pathikonda, Adoni and Alur talukas), Anantapur and Cuddaph districts of the Andhra State; and includes "881-F", "Umri",

"White Northerns", "Red Northerns", "Hagafi 1 (Western Farm)" and "Nandyal 14".

(j) "Cambodia" means cotton recognised as such and grown in the Madras State and the Nellore and Chittoor districts of the Andhra State and the Travancore-Cochin State and includes "Avanashi" and "Cambodia C.O. 2". It also includes "Cambodia C.O. 4" (including "C.O.4/B.40", and "Madras Cambodia Uganda (M.C.U.) 1 and 2" otherwise known as Rajapalayam which is not excluded from this notification by sub-paragraph (8) of paragraph 2 above. Further, it includes "Cambodia C.O.4" grown as an irrigated crop in the Bombay State and "170.C.O.2" and "134.C.O.2M" grown in the Bombay State which are not excluded from this notification by sub-paragraph (8) of paragraph 2 above.

(k) "Cambodia C.O.4" (including "C.O.4/B-40", "Madras Cambodia Uganda (M.C.U.) 1 and 2" otherwise known as "Rajapalayam" means cotton recognised as such and grown in the Travancore-Cochin State, the Madras State and as an irrigated crop in the Bombay State. It also includes "Indo American" "170.C.O.2" and "134-C.O.2.M" grown in the Bombay State.

(l) "Karunganni" means cotton recognised as such and grown in the Coimbatore, Mathurai Ramanathapuram, Tirunelveli and Tiruchirapalli districts of the Madras State; and includes "Tinnevely", "Salems" (Nadam, Bourbon and Uppam)", "Karunganni K.2" and Karunganni K.5.

(m) "Dholleras" means cotton recognised as such and grown in the Saurashtra and Kutch States and the Banaskantha and Ahmedabad (Patri and Kharaghoda villages of the Viramgam talukas) districts of the Bombay State; and includes "Cutch", "1927", "Kadi/Viramgaon", "Kadayo", "Wagoter", "Wagad" and "Lalio" It also includes "Kalyan" which does not conform to the proviso contained in the definition of such cotton in clause (n) (ii) of this paragraph.

(n) "Kalyan" means cotton recognised as such and grown—

(i) in the Ahmedabad (Dholka, Whanduka, Sanand and Viramgam, excluding Patri and Kharaghoda villages

talukas) and Mehsana districts of the Bombay State, provided that the areas in which the cotton has been grown have been protected under the Cotton Transport Act, 1923 (Act III of 1923).

- (ii) In the Saurashtra State(provided that the areas in which the cotton has been grown have been protected under the Cotton Transport Act, 1923 (Act III of 1923) or any corresponding Act, (the seed required for sowing has been duly approved and supplied by the Department of Agriculture of the said State, and the produce has been certified by the said Department as being "Kalyan").

(o) "Kalagin" means cotton recognised as such and grown in the Saurashtra State.

(p) "Bengal Deshi" means cotton recognised as such and grown in the States of Patiala and East Punjab States Union, the Punjab, Uhhf Pradesh, Bihar, Rajasthan and Ajmer.

(q) "Oomra Deshi" means cotton recognised as such and grown in the Madhya Pradesh and Hyderabad States and the Sholapur, Ahmednagar and Poona districts of the Bombay State.

(r) "Mathia" means cotton recognised as such and grown in the Saurashtra State and the Amreli district of the Bombay State ; and "Mungari" means cotton recognised as such and grown in the Bellary district of the Mysore State, the Anantapur, Kurnool (excepting Gumbum and Markapur talukas) and Cuddapah districts of the Andhra State and Kharif cotton grown in the Raichur and Gulbarga districts of the Hyderabad State.

(s) "C.P.I." and "C.P.II" respectively means cotton recognised as such and grown in the Madhya Pradesh State and the Adilabad district of the Hyderabad State.

(t) "Central India Cotton" means cotton recognised as such and grown in the Madhya Bharat State and the Bhopal State.

(u) "Buri American" means cotton recognised as such and grown in the Nimar, Amravati, Wardha, Nagpur, Chanda, and Yeotmal districts of the Madhya Pradesh State, the Madhya

Bharat State, the Kotah and Udaipur divisions of the Rajasthan State and in the State of Ajmer and includes "Buri 107" "Indore 1" "Buri 0394", "Udaipur American" and "Indore 2", provided the areas in which the cotton has been grown have been protected under the Cotton Transport Act, 1923 (Act III of 1923) or any corresponding Act.

(v) "Parbhani American" means cotton recognised as such and grown in the Adilabad, Kinwat, Utnoor and Boath talukas of the Adilabad district of the Hyderabad State, provided such areas have been protected under the Hyderabad Cotton cultivation and Transport Act.

(w) "Gaorani 6 and 12" means cotton recognised as such and grown in the Hyderabad Gaorani protected Area (Comprising the Nanded, Bidar, Parbhani and Osmanabad districts and the Nirmal taluka of the Adilabad district, the Mominabad taluka of the Bir district) and the Aurangabad and Gulbarga districts of the Hyderabad State; provided that such areas have been protected under the Hyderabad Cotton Cultivation and Transport Act. It also includes Daulat (2204) grown in the Parbhani taluka of Hyderabad State.

See Table

SCHEDULE 'B'

Shri R. G. Saraiya

„ Dwarkadas Jamnadas

„ A. B. Wadia

„ Jehangir P. Patel

Shri Gatulal Rangildas

„ Hansraj Jivandas

„ Chunilal Pranjivandas

„ D. N. Mahta

(Sd.) V. NANJAPPA

Textile Commissioner.

S. A. TECKCHANDANI,

Deputy Secretary to the Government of India

Description of cotton season 1955-56	Basic staple length inches	Basic minimum price Rs. per candy	Basic maximum price Rs. per candy	"Off" and "On" . Class other than		
				Good	Fully Good	Fine
1	2	3	4			5
					Rs.	Rs.
Jarilla	25/32"	495	820	—	5	Basis
Vijay	25/32"	505	925	—	5	"
Surat	7/8"	655	1020	—	5	"
P/Am. 4 F.R.G.	3/4"	525	850	—	5	"
P/Am. 4 F.S.G.	3/4"	545	870	—	5	"
P/Am. L.S.S.R.G.	13/16"	585	920	—	5	"
P/Am. L.S.S.S.G.	13/16"	605	940	—	5	"
P/Am. 216 F.R.G.	7/8"	675	1045	—	5	"
P/Am. 216 F.S.G.	7/8"	705	1075	—	5	"
Coompta	7/8"	645	900	—	5	"
Western	13/16"	555	800	—	5	"
Cambodia	7/8"	675	1045	—	5	"
Karunganni	13/16"	575	935	—	5	"
Dhollera	3/4"	—	780	—	5	"
Kalagin	3/4"	—	780	—	5	"
Bengal Deshi	—	—	645	40		Basis
Oomra Deshi	—	—	680	—	5	Basis
Mathia and Mungari	—	—	680	—	5	"
C.I.I. and II	5/8"	—	720	—	5	"
Central India Cotton	5/8"	—	605	—	5	"
Buri American	7/8"	625	940	—	5	"
Parbhani	7/8"	625	940	—	5	"
Gaorani G and 12	7/8"	625	940	—	5	"
Jayadhar	7/8"	625	995	—	5	"
Kalyan	25/32"	510	870	—	5	"
Laxmi	7/8"	675	1045	—	5	"
H-420	25/32"	545	870	—	5	"

—R.G. means Roller-ginned.
S.G. means Saw-ginned.

2.—In the case of cotton specified below, if they conform to the conditions contained in the Proviso given at the end of paragraph 4 of this notification and if they have been grown in areas reserved by the Agricultural Department of the State concerned for the purpose of procuring pure seed for sowing and if the crop has been duly rogued by removing off type plants, the basic maximum prices specified in column 4 above shall be deemed to be increased by the amounts shown below:

(i) Jar	...	Rs. 50 per candy over Jayadhar of column I.
(ii) Karunganni K. 2 and K.5.	...	Rs. 50 per candy over Karunganni of column I.
(iii) Gaorani 6 and 12	...	Rs. 50 per candy over Gaorani 6 and 12 of column I.
(iv) Jar	...	} Rs. 20 per candy over Jarilla of column I.
(v) B...	...	
(vi) M 07	...	
(vii) V 9	...	}
(viii) P (197-3)	...	
(ix) P/M 216 F.R.G. and 320 F.R.G.	...	Rs. 50 per candy over P/M 216 F.R.G. of column I.
(x) P/M L.S.S.R.G.	...	Rs. 50 per candy over P/M. L.S.S.R.G. of column I.
(xi) Parbhani American	...	Rs. 50 per candy over Parbhani American of column I.
(xii) 208/394	...	Rs. 50 per candy over Buri American of column I.
(xiii) Laxmi	...	Rs. 50 per candy over Surat of column I.
(xiv) Cambodia	...	Rs. 50 per candy over Laxmi of column I.
(xv) Suyog	...	Rs. 50 per candy over Cambodia of column I.
(xvi) Vijaya C.O. 2	...	Rs. 20 per candy over Surat of column I.
(xvii) H-420	...	Rs. 20 per candy over Vijay of column I.
(xviii) M.A.	...	Rs. 50 per candy over H-420 of column I.
	...	Rs. 50 per candy over Laxmi of column I.

Appendix No. 4

FORM OF CLIENT'S CONTRACT NOTE (HEDGE)

No. C _____

*Sold to/Sold for Account of _____

*Bought from/Bought for Account of _____

Bales _____

Cotton _____

Rate _____

Delivery _____

Quality _____

Remarks _____

Bombay _____ 19 .

*To delete what is not applicable.

FORM OF CLIENT'S CONTRACT NOTE (HEDGE)

Contract No. _____

Made in Bombay this _____ day of _____

I/We confirm having this day *bought/sold for you
bought from/sold to

in Bombay subject to the following conditions and to the By-laws of the East India Cotton Association, Limited, in force from time to time, which contain amongst other things provisions for the settlement of disputes by arbitration, and subject also to my/our usual charges and terms of business as Commission Agents

_____ full-pressed bales of _____

_____ cotton for delivery in Bombay from
to _____ at Seller's option at
Rs. _____ nett per candy of 784 lbs. Delivery against cash.

Weight of 50 bales and weight and number of candies per 50 bales to be dealt with under the By-laws.

Commission and/or brokerage at _____ to be paid by you to me/us.

I am/We are not responsible for any errors or delay in the transmission of telegrams.

A margin of Rs. per candy (or Rs. per 50 bales) to be paid and maintained by you with me/us until completion of this contract. Even if no margin has been agreed to or paid I/we shall be entitled at any time and from time to time to call for margin based on the difference between the contract price and the market rate from time to time less any margin or any nett differences already paid to me/us. In addition to the above,

I/we shall be entitled at any time and from time to time to call for margin at the rate of Rs. 5/- per bale under By-law 51A.

Cotton for tender against forward sales, or failing cotton, sufficient money to enable me/us to purchase suitable cotton for tender must be provided by you and in my/our hands at least five working days before the last date on which cotton is tenderable or, in the case of open purchases sufficient money to enable me/us to take delivery of the cotton when tendered must be provided by you and in my/our hands *at least three working days before the first day of the month of delivery.*

If you fail to comply with any of the above terms and conditions I/we shall be at liberty to buy back/sell out the cotton at the market rate without consulting you and at your risk any time or other indulgence given to be for your account and risk.

Notwithstanding anything herein contained this contract is entered into as between principal and principal as provided in By-law 81A.

*This contract is entered into by me/us on my/our own account.

Signature _____

(Reverse)

Summary of portions of relevant East India Cotton Association By-laws :—

Every cotton transaction entered into between Members and every contract made subject to these By-laws or subject to EICA arbitration or containing words or abbreviations to a similar effect and every arbitration agreement to which these By-laws apply, shall be deemed in all respects to be subject to these By-laws and the parties to such transactions, contracts or agreements shall be deemed to have submitted to the jurisdiction of

*To be deleted if not applicable.

the Courts in Bombay for the purpose of giving effect to the provisions of these By-laws.

All unpaid claims, whether admitted or not, and all disputes (other than those relating to quality) arising out of or in relation to (a) cotton transactions between members or (b) contracts whether forward or ready and (whether between members or between a member and a non-member) made subject to these By-laws, or subject to EICA arbitration, or containing words or abbreviations to a similar effect or (c) the rights and/or responsibilities of commission agents, muccadums and brokers not parties to such transactions or contracts or (d) covered by any arbitration agreement, shall be referred to the arbitration of two disinterested persons one to be chosen by each party. The arbitrators shall have power to appoint an umpire and shall do so if and when they differ as to their award.

All disputes as to quality shall be referred to arbitration in manner laid down in By-law 36.

On failure to tender, the buyer has the rights given by By-law 64, or in case of an emergency by By-law 52B.

Note.—As to the inferiority of cotton, attention is drawn to By-law 61.

FORM OF CLIENT'S CONTRACT NOTE (HEDGE)

Acknowledgement of Contract No.....

I/We acknowledge receipt of your above contract and confirm the *sale/purchase through you.

*sale to/purchase from you, you dealing on your own account.

Date.....

Signature.....

*Whichever is not applicable must be struck out by the member before this is sent out to the client for his signature

No.

FORM A.

FORM FOR FORWARD CONTRACTS
(Between principals only)

From _____

To Messrs. _____

I/We have this day bought from you subject to the By-laws of the East India Cotton Association, Ltd., which contain amongst other things provisions for the settlement of disputes by arbitration :

_____ () Bales of _____

_____ Cotton at Rs. _____ per candy,

delivered in* _____ in full pressed bales.

Delivery _____ at Seller's option.

The quality to be _____

Special Terms, if any, _____

This contract shall not be cancelled.

This provision is only for delivery contracts entered into whilst the Indian Cotton Contract is functioning. For the purpose of periodical settlement of this contract I/we agree to a difference of Rs. _____ above/below the settlement rate of the Indian Cotton Contract.

Remarks, if any, _____

Bombay, _____ 19 _____

Buyer's Signature _____

*If the place of delivery is not mentioned above, it shall be taken to be Bombay.

No.

FORM B

FORM FOR FORWARD CONTRACTS

From

BROKER (S)

COMMISSION AGENT (S)

To Messrs.

I/We have this day bought by your order and for your account subject to the By-laws of the East India Cotton Association, Ltd., which contain amongst other things provisions for the settlement of disputes by arbitration.

From Messrs.

... .. () Bales of

... .. Cotton at Rs. per candy,

delivered in* in full pressed bales.

Delivery at Seller's option.

The Quality to be

Special Terms, if any,
Brokerage%

... ..

Commission

This contract shall not be cancelled.

*If the place of delivery is not filled in above, it shall be taken to be Bombay.

This provision is only for delivery contracts entered into whilst the Indian Cotton Contract is functioning. For the purpose of periodical settlement of this contract I/we agree to a difference of Rs. above/below the settlement rate of the Indian Cotton Contract.

Remarks, if any

%If the particulars of brokerage or commission are not filled in above, the brokerage or commission payable shall be taken to be the usual or customary Brokerage or Commission, unless previously agreed to.

Bombay 19 .

Seller's Signature.....

BROKER (S)
COMMISSION AGENT (S)

No.

FORM B.

FORM FOR FORWARD CONTRACTS

From

BROKER (S)
COMMISSION AGENT (S)

To Messers.

I/We have this day sold by your order and for your account subject to the By-laws of the East India Cotton Association, Ltd., which contain amongst other things provisions for the settlement of disputes by arbitration,

To Messrs.

... .. () Bales of

... .. Cotton at Rs. per candy,

delivered in* in full pressed bales

Delivery at Seller's option.

The Quality to be

Special Terms, if any,

Brokerage%
Commission

This contract shall not be cancelled.

*If the place of delivery is not filled in above, it shall be taken to be Bombay.

This provision is only for delivery contracts entered into whilst the Indian Cotton Contract is functioning. For the purpose of periodical settlement of this contract I/we agree to a difference of Rs. above/below the settlement rate of the Indian Cotton Contract.

Remarks, if any

If the particulars of brokerage or commission are not filled in above, the brokerage or commission payable shall be taken to be the usual or customary Brokerage or Commission, unless previously agreed to.

Bombay 19 .

Buyer's Signature.....

BROKER (S)
COMMISSION AGENT (S)

No.

FORM B.

COUNTERFOIL OF FORM FOR FORWARD CONTRACTS

Bought/Sold, subject to the Bye-laws of the East India Cotton Association, Ltd. for account of

Seller

Buyer

Bales

Cotton

Price Rs. per candy delivered in in full pressed bales.

Delivery at Seller's option,

Quality

Special Terms, if any,

Brokerage, if any,

The contract shall not be cancelled.

This provision is only for delivery contracts entered into whilst the Indian Cotton Contract is functioning. For the purpose of periodical settlement of this contract a difference of Rs. above/below the settlement rate of the Indian Cotton Contract was agreed to.

Remarks, if any

Bombay 19 .

CONTRACT NOTE

FORM C

No.....

From.....

To.....

I/We have this day bought from you sold to you
 subject to the By-laws of the East India Cotton Association, Limited, which contain amongst other things provisions for settlement of disputes by arbitration,
Bales, Indian Cotton Contract,
 delivery at Rs. net per
 candy of 784 lbs.

Bombay, 195

Buyer's signature.....
Seller's

I/We have this day bought from you sold to you
 subject to the By-laws of the East India Cotton Association, Limited, which contain amongst other things provisions for settlement of disputes by arbitration,
Bales, Indian Cotton Contract,
 delivery at Rs. net per
 candy of 784 lbs.

Bombay, 195

Buyer's signature.....
Seller's

No.....

BROKER'S NOTE

From... ..

To... ..

sold

I/We have this day bought for you in Bombay to
subject to the By-laws of the
 East India Cotton Association, Limited, which contain
 amongst other things provisions for settlement of
 disputes by arbitration, Bales, Indian
 Cotton Contract, delivery, at Rs.
 net per candy of 784 lbs.

Bombay, 195 .

.....
 Brokers.

FORM D

Confirmation of Contract No.

From... ..

To... ..

I/We confirm having bought you in Bombay,
sold
 subject to the By-laws of the East India Cotton Asso-
 ciation, Limited, which contain amongst other things
 provisions for settlement of disputes by arbitration,
Bales, Indian Cotton Contract,
 delivery, at Rs. net per candy of 784 lbs.

Bombay, 195 .

Buyer's signature.....
Seller's

No.

MEMO OF READY SALE

To

Messrs.

I/We have this day SOLD to you (through your Brokers
) subject to the By-laws of the East
 India Cotton Association, Ltd., (.....) Bales
 of Cotton lying in
 Godown and marked as under for immediate
Jaitha
 delivery on the basis of Bales approved and stamped
 by you at Rs. per Candy of 784 standard pounds.

Any Bales of inferior quality to be taken by you with the
 allowance or rejected.

(Brokerage $\frac{1}{4}$ per cent nett to be deducted by you for your
 Brokers).

Marks :—

Bombay, 19 .

(Seller's Signature)

(Brokers)

No.

CONFIRMATION OF READY PURCHASE

To

Messrs.

I/We have this day BOUGHT from you (through my Brokers
our
) as per your sale Memo. of date subject
 to, the Bye-laws of The East India Cotton Association, Ltd.,
 (.....) Bales of Cotton lying in
 your Godown and marked as under
Jaitha
 for immediate delivery on the basis of Bales
 stamped and approved by me at Rs. per Candy of
us
 784 standard pounds.

Any Bales of inferior quality to be delivered by you with the
 allowance or rejected.

(Brokerage to my Brokers at $\frac{1}{4}$ per cent nett to be deducted
vs our
 by me).

Marks :—

Bombay, 19 .

(Buyer's Signature).....

(Brokers.....)

FORM FOR DELIVERIES AGAINST DELIVERY CONTRACTS

No. Bombay, 19 .

Time for Arbitration expires on 19 .

To

.....

.....

Please deliver to
 Bales of
 cotton sold as as specified
 below, lying in and take a
 receipt for the same.

Against Contract No., dated

Mark	Bales	Contract or last Settlement Price.	Terms.

Signature

5 lbs. per 50 Bales allowed for sample.
 This cotton is to be surveyed under the following Standard.

FORM OF APPLICATION FOR MEMBERSHIP
To
THE EAST INDIA COTTON ASSOCIATION, LTD.

Dear Sirs,

I/We hereby apply for election as a Member/Members of the East India Cotton Association, Limited, and if elected, undertake to conform to and be bound by the Memorandum and Articles of Association and the By-laws of the Association now in force or which may be in force from time to time hereafter and to be liable for all periodical settlements at whatever dates in respect of all contracts entered into by me/us prior to ceasing to be a Member/Members whether by resignation or otherwise.

- (a) Full name of applicant
- (b) Nationality of applicant
- (c) Status of applicant — state whether—
 - 1. Individual or
 - 2. Joint Hindu Family or
 - 3. Partnership Firm or
 - 4. Company
- (d) If individual, give date of birth ; If firm or company, give date when first established
- (e) Residential address in Bombay
 Office address in Bombay
- (f) List of all Branch Establishments both in India and abroad, state which is the head office

- (g) Nature of business, if various,
specify main business or
businesses
- (h) If partnership firm, give
name of partner or partners
and nationality of each and
whether full or special
- If Hindu Joint Family Firm,
give names of members and
manager
- If Company, give names of
Directors and Managers and
Managing Agents, if any. In
all cases give names of agents
or persons authorized to
carry on business whether by
general power of attorney or
otherwise and state whether
persons named are Citizens
of India or otherwise
- (i) Name or names of Branches,
firms or Companies in or
outside of India in which the
applicant is also a partner
- (j) Name of Panel in which the
applicant desires to be in-
cluded as member, the
decision to be in the discre-
tion of the Board
- (k) State the period for which
applicant has been in busi-
ness at the time of applica-
tion
- (l) State whether the applicant is
familiar with the spot cotton
business
- (m) State whether the applicant
is a member of any other
Exchange. If so, give parti-
culars

- (n) State whether applicant has at any time been adjudged insolvent or has suspended payment or made any composition or arrangement for the benefit of creditors. If so, give particulars

Signature of applicant.....

To be completed when the applicant is:—

- (a) *Individual*.—I,, the applicant abovenamed hereby declare that the information contained in the above application is true to my own knowledge.
- (b) *Partnership Firm*.—I,, a partner of the applicant firm abovenamed hereby declare that the information is true to my own knowledge.
- (c) *Hindu Joint Family Firm*.—I,, the Manager or Karta of the Hindu Family firm being the applicant abovenamed, hereby declare that the information contained in the above application is true to my own knowledge.
- (d) *Company*.—I,, Manager/Secretary/Director, of the applicants abovenamed, hereby declare that the information contained in the above application is true to my own knowledge.

Dated this day of 19 ..

(Signature).....

I/We, hereby, if elected as Member/Members appointed and as my/our nominated representatives and as my/our authorized representative under and for the purpose of the Articles of Association and the By-laws.

Date 19 .

(Signature of person making the application).....

We, the undersigned, being Members of the East India Cotton Association, Limited, do respectively propose and second the abovenamed as an applicant for Membership.

Proposer

Seconder

Date 19 .

N.B.—A deposit of Rs. 20,000 for Citizens of India and Rs. 50,000 for Non-Citizens of India, Rs. 2,500 for entrance fee and the annual subscription of Rs. 200 must be paid with the application.

Deposit paid on

Fee paid on.....

Cashier's	}	Entered on
Signature.		Registered No.
		Elected on

Serial No.

FORM OF APPLICATION FOR ASSOCIATE MEMBERSHIP

To

THE EAST INDIA COTTON ASSOCIATION, LTD.

Dear Sirs,

I/We hereby agree, if elected, to become an Associate Member
Members
of the East India Cotton Association, Limited, and undertake
to conform to and be bound by the Memorandum and Articles
of Association and the By-laws of the Association in force from
time to time.

(a) Name of Person, Firm or
Company applying for Asso-
ciate Membership

(b) Residential Address
Office Address

(c) Name or names of Partner
or Partners, if any, (State
whether full or special part-
ners) or Munim or Munims,
or duly authorized repre-
sentative or representatives, if
any, or in the case of a
Company, names of Directors
and/or Managers or any
authorized representative or
representatives and state in
case of each whether Citizens
of India or otherwise

Name or names of Branches,
Firms or Companies, in or
outside of India in which the
applicant is also a partner

- (e) Nature of business, if various, specify main business or businesses
- (f) Applicant's relationship to the Firm or Company on whose behalf he applies (whether Partner, Director, Munim, Manager or duly authorized Representative).

Signature of person making the application.....

Bombay

We, the undersigned, being Members of the East India Cotton Association, Limited, do respectively propose and second the abovenamed as an applicant for Associate Membership.

Proposer

Secunder

Date

Registered No. Elected

Deposit paid
 Fee paid } Cashier's Signature

File No.

Entered

FORM OF APPLICATION FOR ASSOCIATE MEMBERSHIP
BY A FULL MEMBER OF THE LIVERPOOL
COTTON ASSOCIATION, LIMITED

To

THE EAST INDIA COTTON ASSOCIATION, LTD.

Dear Sirs,

I/We (a) British subject(s) and (b) Full Member(s) of the Liverpool Cotton Association, Limited, hereby apply to become an Associate Member of the East India Cotton Association, Limited, and agree and undertake, if elected, to conform to and be bound by the Memorandum and Articles of Association and the By-laws of the East India Cotton Association, Limited, in force from time to time.

- (a) Name of Person, Firm or Company, applying for Associate Membership
- (b) Address of Head Office
- (c) List of all Branch Establishments wherever situated
- (d) Name or names of Partner or Partners in the case of a Firm, or in the case of a Company names of all the Directors and the Secretary ; stating in each case whether a British subject
- (e) Nature of business. If various, specify main business
- (f) Applicant's nationality and whether a British subject and his relationship to the Firm or Company on whose behalf he applies (whether Partner, Director or Secretary)

Signature of person making the application.....

Date 19 .

The abovenamed who applies in terms of the above application for admission as an Associate Member of the East India Cotton Association, Limited, is a Full Member of the Liverpool Cotton Association, Limited, whose Directors by a vote of three-fourths of their Full Board approve and recommend the application to the Directors of the East India Cotton Association, Limited, and confirm that the statements made in the application are correct.

..... Chairman.

..... Secretary

of the Liverpool Cotton Association,
Ltd.

We, the undersigned, being Full Members of the East India Cotton Association, Limited, do hereby respectively propose and second the abovenamed as an applicant for Associate Membership of the East India Cotton Association, Limited.

Proposer

Seconder

Date 19 .

Elected

Cashier's Signature

Entered

Registered No.

Deposit paid

Fee paid

FORM 1

THE EAST INDIA COTTON ASSOCIATION, LTD.
CLEARING HOUSE

Bombay, 19 .

Settlement Statement

Messrs. Settlement due, 19 .

This Statement shows:—The number of bales on Contracts with you for the Purchase and/or Sale of Cotton for Forward Delivery which we carried forward from last Settlement and the Purchases from and/or Sales to you which we made prior to to-day.

It is agreed that payment or receipt of the Cash balances specified below shall be accepted in fulfilment and termination of such Contracts for the Purchase and Sale of equal qualities of Cotton for Delivery during identical periods as this Statement shows to be closed.

Date of Contract or last Settle- ment.	Name of Contract	No. of Bales in 50's	Price of Contract or Settlement Prices	No. of Bales Carried for- ward.
--	---------------------	-------------------------	--	---------------------------------------

PAYMENTS
DUE

Due
Date

INTEREST

In our
favour.

In your
favour.

Day

In our
favour

In your
favour

FORM 2

THE EAST INDIA COTTON ASSOCIATION, LTD.

Clearing House

Settlement Date 19 .

Messrs.

Please claim at the above Settlement:—

Rs.

*(Amount in words)

(Signature)

Registered Number.
FORM 3

THE EAST INDIA COTTON ASSOCIATION, LTD.

Clearing House

Bombay, 19 .

BALANCE-SHEET OF Messrs.

Due to us	Rs.	Due from us	Rs.
Balance paid into Bank ...		Balance Payable by Clearing House	
Total Rupees		Total Rupees	

Vouchers for all Claims appearing in the above column must accompany this statement in order to avoid delay in payment of Settlement.

Certified correct for purposes of Settlement. _____

Signature.....

FORM 4

THE EAST INDIA COTTON ASSOCIATION, LTD.

Clearing House

Instruction Form

From to THE CLEARING HOUSE.

To be signed by a Principal. The Clearing House is not responsible for errors.

Please act for us in the disposal of Tenders against the following Contracts for Cotton,
..... Delivery:—

(Signature)

Date 19 .

Clearing House D/O Number	Bought from	Contract No.	Contract Date	Settlement or Purchase Price
1	2	3	4	5

Sold to	Contract No.	Contract Date	Settlement of Sale Price	Clearing House D/O Number
6	7	8	9	10

We are net short of bales. Net position as in last
long
Instruction Form submitted bales

In the event of there being any variation from the previous form submitted, the following must be filled in:

The variation from my/our position in the previous form submitted is due to—

- (1) covering of sales and/or liquidation of purchases made prior to the first day of the delivery month.....bales ;
- (2) issuing or taking over delivery orders.....bales.

N.B.—These must be filled in on every tender day.

N.B.—Each Contract entered above is for 50 Bales and the price must invariably be written *in full* against each entry.

FORM 5

THE EAST INDIA COTTON ASSOCIATION, LTD.
Clearing House

Official Clearing House Delivery Order Form
(Original Tendered)

(Tendered

)

Bombay, 19 .

Time for Arbitration expires on 19 .

To Messrs.

I/We beg to tender to you against our Contract with you dated
my

the, the Cotton specified
below, the Pucca Delivery Order Form (No. 6) for which I/we
have this day lodged with the Clearing House.

Particulars of Tender

50 Bales of Cotton lying in

Note.—The tenderer shall specify in the Delivery Order the
Press Marks of the bales of cotton tendered, and certify
that the cotton had not been previously tendered and
rejected during the current delivery period.

Mark	Contract or last Settlement Price.	Terms.
------	------------------------------------	--------

5 lbs. per 50 bales allowed for sample.

I desire that this cotton shall be surveyed under the following
standard:—

(Signature)

No. 1	To.....	No. 5	To.....
Price.	C/D.....19...	Price.	C/D.....19...
No. 2	To.....	No. 6	To.....
Price.	C/D.....19...	Price.	C/D.....19...
No. 3	To.....	No. 7	To.....
Price.	C/D.....19...	Price.	C/D.....19...
No. 4	To.....	No. 8	To.....
Price.	C/D.....19...	Price.	C/D.....19...

FORM 6

THE EAST INDIA COTTON ASSOCIATION, LTD.

Clearing House

Pucca Delivery Order

Bombay, 19 .

First Seller Last Buyer*

Time for Arbitration expires on 19 .

To

.....

.....

Please deliver to*

50 Bales of

as specified below, lying in

and take a receipt for the same

Against Contract No., dated

5 lbs. per 50 Bales allowed for sample.

The cotton is to be surveyed under the following standard:—

(Signature).....

*N.B.—Last Buyer's name to be filled in by Clearing House.
Each tender to be for 50 Bales.

Note.—The tenderer shall specify in the Delivery Order the Press
Marks of the bales of cotton tendered, and certify that
the cotton had not been previously tendered and rejected
during the current delivery period.

Appendix 5

GOVERNMENT OF INDIA
MINISTRY OF COMMERCE AND INDUSTRY

New Delhi, the 13th October, 1955.

NOTIFICATION

S.R.O. No. 2308. In exercise of the powers conferred by Section 3 of the Essential Commodities Act, 1955 (10 of 1955), the Central Government hereby makes the following Order, namely:—

1. Short title, extent and commencement:—

- (a) This Order may be called the Cotton Control Order, 1955.
- (b) It extends to the whole of India except the State of Jammu and Kashmir.
- (c) It shall come into force at once.
- (d) The Cotton Control Order, 1955, (Notification No. S.R.O. 1511 dated the 13th July, 1955) is hereby repealed).

Provided that any order made, notification issued, licence granted, right accrued, penalty incurred, or anything done or deemed to have been done under the said Order or any corresponding Order in force shall be deemed to have been made, issued, granted, accrued, incurred or done under the corresponding provisions of this Order.

2. In this Order, unless the context otherwise requires,

- (a) “carrier” includes a railway administration or any other person engaged in the business of transporting property from one place to another by land, air or water ;
- (b) “contract” means a ready delivery contract ;

- (c) "cotton" means—
 - (i) ginned cotton ; and
 - (ii) ginned and pressed cotton ; and includes both Indian ; and foreign cotton ;
- (d) "cotton ginning factory" shall have the same meaning as in the Cotton Ginning and Pressing Factories Act, 1925 (XII of 1925) ;
- (e) "cotton season" means the period from the 1st day of September of one calendar year, until and inclusive of the thirty first day of August in the next calendar year ;
- (f) "foreign cotton" means cotton grown in any country outside India ;
- (g) "Form" means Form appended to this Order ;
- (h) "Indian cotton" means cotton grown at any place in India ;
- (i) "licensing authority" means :—
 - (i) in relation to 'A' class licence, the Textile Commissioner ; and
 - (ii) in relation to 'B' class and 'C' class licences, the State Government or any officer authorised by the State Government in this behalf for any specified area ;
- (j) "manufacturer" means a manufacturer of yarn ;
- (k) "ready delivery contract" means a contract which provides for the delivery of goods and the payment of a price therefor, either immediately or within seven days after the date of contract, the period under such contract not being capable of extension by the mutual consent of the parties thereto or otherwise ;

- (l) an article shall be deemed to be in the possession of a person when it is held on behalf of that person by another person or when held by that person on behalf of another person ;
 - (m) the expressions “ Yarn ” and “ Textile Commissioner ” shall have the same meaning as they have in the Cotton Textiles (Control) Order, 1948.
3. (1) The Textile Commissioner may fix the maximum and the minimum prices at which any cotton or kapas or cotton seed may be sold or purchased.
- (2) Where the maximum and minimum prices have been fixed as aforesaid in respect of any cotton or kapas or cotton seed, no person shall sell or offer to sell or purchase or offer to purchase any such cotton or kapas or cotton seed at a price exceeding the maximum or lower than the minimum price so fixed.
4. (1) No person shall enter into a contract for the sale or purchase of cotton except in accordance with such restrictions and conditions as the Textile Commissioner may from time to time prescribe.
- (2) All contracts entered into or made after the commencement of this Order in contravention of sub-clause (1) shall be void.
5. (1) The Textile Commissioner may specify the maximum quantity of any description of cotton which a manufacturer may buy during a specified period or within a specified area or which at any time he may have in his possession.
- (2) The Textile Commissioner in the exercise of the powers conferred upon him under sub-clause (1) shall have regard to the following matters, namely:—
- (a) The consumption by the manufacturer of different descriptions of cotton grown in India and in Pakistan, for the purpose of manufacturing yarn

during the current cotton season, or where such manufacture of yarn was for any reason interrupted in that season, during such other cotton season as the Textile Commissioner may, in circumstances of the case, deem equitable ;

- (b) the number of spindles in use with the manufacturer ; and
 - (c) the capacity of the manufacturer to manufacture yarn.
- (3) No manufacturer shall buy or have in his possession a quantity of any cotton exceeding the maximum quantity specified as aforesaid.

6. Without prejudice to any order made under sub-clause (1) of clause 5, where, at any time, in the opinion of the Textile Commissioner, any manufacturer has in his possession a quantity of cotton in excess of the quantity which would reasonably be required by him for manufacturing yarn in the following six months, it shall be open to the Textile Commissioner, to the extent of such excess, to direct such manufacturer to sell such quantity of the excess cotton at such price and on such conditions as may be specified ; and every manufacturer shall comply with such direction.

7. (1) No person shall purchase, sell, store or carry on business in cotton or shall hold cotton in hypothecation or against a pledge except under and in accordance with the conditions of a licence granted by the appropriate licensing authority ;

(2) There shall be the following three classes of licences granted under this Order, namely:—

- (i) 'A' class licence, which shall be in Form 'F' and shall be valid throughout the territories of India ;
- (ii) 'B' class licence, which shall be in Form 'G' and shall be valid in the State concerned ; and

(iii) 'C' class licence, in the case of hand-ginned cotton which shall be in Form 'H' and shall be valid in the State concerned.

(3) Nothing in Sub-clauses (1) and (2) shall apply to:—

- (i) a person who purchases or stores cotton for his own use, and not for the purpose of sale, and who does not at any time have his possession a quantity of cotton exceeding 24 bales of ginned and pressed cotton or boras of ginned cotton ;
- (ii) a grower in respect of cotton produced by him ; and
- (iii) a person who gins kapas, or presses cotton, of his constituents.

8. Any person desiring a licence shall make an application to the appropriate licensing authority in Form 'A' for 'A' or 'B' class licence or in Form 'B' for 'C' class licence.

9. (1) Every licence granted under this Order shall be valid for the duration of the cotton season for which it is granted. Provided that a licence granted under the Cotton Control Order, 1950 shall be valid up to any period specified therein.

(2) Every licence shall be renewable from time to time, and on such renewal shall be valid for the period specified in sub-clause (1).

(3) There shall be charged for the grant or renewal of each of the type of licence specified in column 1 of the under-mentioned table, the fee specified in the corresponding entry of column 2 there of:—

TABLE

1. <i>Type of Licence</i>	2. <i>Amount of Fee</i>
'A' Class Licence	Rs. 100/-
'B' Class Licence	Rs. 25/-
'C' Class Licence	Re. 1/-

Provided that in respect of any one year no person shall be liable to pay more than Rs. 25/- and Re. 1/- for the grant or renewal of any number of 'B' class or 'C' class licences respectively within the same State and the amount, if any, paid by him in excess of Rs. 25/- or Re. 1/- as the case may be, shall, on application made in that behalf, be refunded to him, by the State Government.

Provided further that if a licence is not renewed within thirty days of its expiry, there shall be charged for the renewal thereof within sixty days of such expiry as penalty a sum equivalent to the fee specified for the respective licence.

10. If a licence granted under this Order is lost or destroyed the Licensing Authority may after making such enquiry as it may deem fit, issue a duplicate licence on payment of a fee of Rs. 5/-.

11. The Licensing Authority may cancel any licence granted under this Order or otherwise render it ineffective in any of the following circumstances, namely:—

- (a) when the licence has been granted through mistake or has been obtained by fraud or misrepresentation;
- (b) when the licence has been granted contrary to the provisions of this Order;
- (c) when the licensee has committed a breach of any of the conditions of the licence.

Provided that no action shall be taken taken under this clause unless the licensee has been given a reasonable opportunity of being heard.

Provided further that notwithstanding anything contained in this clause the licensing authority, if satisfied that it is expedient so to do in the public interest may cancel any licence or render it ineffective without assigning any reason.

12. (1) The Textile Commissioner may issue a direction to any person to furnish samples of any cotton in his possession, and may issue such instructions as he thinks fit regarding such samples.
(2) Every person to whom a direction or instruction is issued under this clause, shall comply with any such direction or instruction.
13. (1) The Textile Commissioner may issue directions to any person holding stocks of kapas to get it ginned before a specified date, and every such person shall comply with such directions.
(2) The Textile Commissioner may by a general order prohibit from such date or dates as may be specified in the order the possession of any kapas of a specified description or in a specified area except under and in accordance with the permission in writing of the Textile Commissioner.
14. The Textile Commissioner may by general or special order prohibit the transport of cotton or kapas from any place within any area to any place outside that area by land, air or water except under such conditions, limitations and restrictions as may be specified in such order.
15. (1) Every person, not being a manufacturer, holding an 'A' or 'B' class licence granted under this Order shall, in respect of each description of cotton, submit to the appropriate licensing authority or any other officer authorised by it in this behalf within five days of the completion of each fortnight, a true and accurate return in Form 'C' in respect of stocks, receipts and sales of cotton.
(2) Every person holding an 'A' or 'B' class licence granted under this Order shall submit to the Textile Commissioner within a week of the expiry of each month, a true and accurate return in Form 'D' in respect of cotton transported outside the State.

16. The Textile Commissioner may by order in writing direct any carrier to close the booking and transport of any cotton or kapas by land, air or water between such places and for such period as may be specified in the order and such carrier shall comply with the order.

17. The Textile Commissioner may with a view to securing compliance with this Order:—

- (a) require any person to give any information in his possession with respect to any business carried on by that or any other person ;
- (b) inspect or cause to be inspected any books or other documents belonging to or under the control of any person ;
- (c) enter and search or authorise any person to enter and search any premises and seize or authorise any person to seize any article in respect of which he has reason to believe a contravention of this Order has been committed and any other article in the premises which he has reason to believe has been or is intended to be used in connection with such contravention.

18. Every person who is required to give any information under clause 17 shall comply with such requisition.

19. Every manufacturer shall submit to the Textile Commissioner before the 12th day of every month a return in Form 'E' giving all the particulars specified therein.

20. The Textile Commissioner, with the previous sanction of the Central Government, may by general or special order in writing authorise any officer to exercise on his behalf all or any of his functions and powers under this Order.

CHAPTER VI

THE BOMBAY OILSEEDS EXCHANGE, Ltd.

Birth of the Exchange

After the first world war (1914-18) the Indian export trade in oilseeds assumed greater importance, and the high prices secured gave an impetus to further production. As the trade also increased in volume, it was felt necessary to start an Exchange dealing in oilseeds and the Seeds Traders' Association (now designated as the Bombay Oil Seeds Exchange) was started in the year 1926. It was registered as a limited company in 1938 under the Indian Companies Act.

It is proposed to study the constitution and working of the Oilseeds Exchange Ltd., along the same lines as those adopted in connection with the E.I.C.A., Ltd., but this study will be confined to a treatment of broad outlines of the working of the Exchange, leaving all matters of detail for reference by the reader to the Bye-laws of the Exchange. Before we proceed further, it is necessary to give statistics relating to the acreage, production and exports of oilseeds and oil in this country.

Acreage and Production and Export of Oilseeds & Oil.

(in 000's)

Year	Acreage	Production in tons	Export in tons		Value of export Rs.	
			Oil	Seeds	Oil	Seeds
(1) Caster Seed:						
1950-51	1,378	104	24	78	43,497	59,152
1951-52	1,428	105	23	1	65,713	1,607
1952-53	1,349	107	37	4	76,450	3,786
1953-54	1,368	107	19	—	81,528	—
(2) Ground-Nut :		(Nuts in shell)				
1950-51	11,130	3,437	83	83	1,67,386	35,711
1951-52	11,738	3,045	20	19	43,169	23,466
1952-53	11,862	2,894	68	12	1,04,630	13,972
1953-54	11,356	3,772	1.5	5	2,473	5,293

Year	Acreage	Production in tons	Export in tons		Value of export Rs.	
			Oil	Seeds	Oil	Seeds
(3) Linseed :						
1950-51	3,447	361	5	67	10,958	56,676
1951-52	3,402	316	25	7	56,671	7,002
1952-53	3,394	355	28	—	46,644	—
1953-54	3,369	355	3.8	—	5,394	—
(4) Rape Seed & Mustard :						
1950-51	5,097	748	—	—	—	—
1951-52	5,915	916	—	—	—	—
1952-53	5,155	828	—	—	—	—
1953-54	5,373	826	—	—	—	—
(5) Sesamum :						
1950-51	5,629	453	—	1	—	1,224
1951-52	5,845	438	—	2	—	2,888
1952-53	5,751	451	—	2	—	2,490
1953-54	6,132	531	—	—	—	—
(6) Area & Yield of Oilseeds :						
Year	Acreage	(000's) Yield (in 000 tons)				
1950-51	...	26,681	5,103			
1951-52	...	28,388	4,820			
1952-53	...	27,511	4,635			
1953-54	...	27,598	5,591			

The statistics given above indicate that the total acreage under oilseeds was 275.98 lakhs during the year 1953-54 (final estimate) as against the revised estimate of 276.61 lakh acres in 1953 and 288.73 lakh acres in 1952. This acreage represents the decline of 0.2% over the 1953 acreage and of 0.4% over the 1952 acreage. The total production of oilseeds in 1954 was 55.91 lakh tons (final estimate) as against the revised estimate of 46.46 lakh tons in 1953 and 49.33 lakh tons in 1952. The rise in production in 1954 over the production of 1953 and 1952 was 20.4% and 13.3% respectively. The acreage under production of oilseeds in 1954 was lower than that of 1952 and a little higher than 1953 but quantity produced was considerably higher being the highest since the independence of India. The production in groundnut showed an appreciable rise which is reflected in a general increase in the total quantity of oilseeds produced in 1954. Timely and sufficient rains, good weather conditions have largely contributed to the increase in production of oilseeds. For the

purpose of statistics 1950-51 is regarded as a base year except for food grains for which 1949-50 is taken as the base year. Additional production of 4 lakh tons of oilseeds was visualised in the First Five Year Plan. Though the area under oilseeds increased during the first two years of the plan period actual production remained below that year. In 1953-54, production rose to 5.59 million tons which marked substantial increase not only over the two previous years but also over the target figures which had been fixed at 5.5 million tons for the period of the plan. The acreage and production of the major oilseeds (ground-nut, sesamum, rape and mustard, linseed and castor seed) are already shown above. In the Second Five Year Plan the target for the major oilseeds has been fixed at 70 million tons on the basis of an increase in population during the five years of the second plan; nearly 4 lakh tons more of oilseeds would be required and an allowance of another 2 to 3 lakhs will have to be made as the result of an increase in the standard of living of the masses. As the Union Government is contemplating issue of permits of larger exports of oilseeds, expert opinion considers that the target should have been fixed at 75 lakh tons instead of 70 as fixed, if the oil seeds should maintain and even increase their share in the export earnings of the country. As there is good demand for oilcakes as well, outside the country, the questions of liberalising the export of oilcakes may have to be considered as well.

Recognition of the Bombay Oilseeds Exchange

The Government of India issued a notification during the year 1955 the result of which was that, while the position which obtained under the essential supplies Act 1946, continued unchanged for the time being, the Forward Markets Commission was enabled to study each commodity and submit proposals with a view to regulating forward trading therein. The Forward Markets Commission on completion of its studies recommended that, (a) the recognition granted to the Bombay Oilseeds Exchange Ltd., under the Bombay Forward Contracts Control Act, 1947, in respect of all oilseeds and saved under section 29 of the Forward Contracts Regulation Act, 1952 should be continued under section 6 of the Act. This recognition should be on a permanent basis in respect of castor seeds and for a period of

3 years in respect of ground-nut oil on certain conditions ; (b) the hedging facilities provided by the Bombay Oilseeds Exchange Ltd. should cover all varieties of castor seed, ground-nut and cotton seed, and the bold variety of linseed. The recommendations of the Forward Market Commission in regard to the Bombay Oilseeds Exchange Ltd. were accepted by the Union Government and also in regard to other Associations in respect of commodities shown against each in the following statement.

<i>Name of Centre</i>	<i>Name of the Association</i>	<i>Commodity regulated</i>
(1) Bombay	The Bombay Oilseeds Exchange, Ltd.	Ground-nut & Ground-nut Oil. Castor seed, Cotton Seed & Linseed.
(2) Madras	The Madras Oil & Seeds Exchange, Ltd.	Ground-nut & Ground-nut Oil.
(3) Adoni	The Adoni Ground-nut Seeds, Oil Merchants' Association Ltd.	-do-
(4) Hyderabad	The Hyderabad Oil & Seeds Exchange Ltd.	Castor Seed.
(5) Delhi	The Om Exchange Ltd.	Ground-nut Oil.
(6) Ahmedabad	The Ahmedabad Seed Merchants' Association, Ltd.	Castor Seed & Cotton Seed.
(7) Calcutta	The Calcutta Wheat & Seeds Association Ltd.	Linseed, Ground-nut.
(8) Rajkot	The Rajkot Seeds, Oil and Bullion Merchants' Association, Ltd.	Ground-nut Oil.

The grant of recognition to all the above Associations is conditional on their previously carrying out such modifications in their articles of Association, Trading Bye-laws and working procedures as may be suggested to them by the Forward Markets Commission.

The objects of the Bombay Oilseeds Exchange :—Amongst the objects with which the Oilseeds Exchange Ltd., was established, the main ones are :—

(a) To promote and protect the interests of persons engaged and interested in the trade or business in oil seeds.

(b) To establish just and equitable traditions and principles and to maintain uniformity of control in the trade in the said commodities.

(c) To provide forms of contracts and to frame rules for the regulation and control of transactions in the said commodities.

(d) To fix and adopt standards for classification of the said commodities.

(e) To acquire, preserve and disseminate useful information connected with the said trade or business throughout all markets.

(f) To remove all causes of friction and to adjust controversies between persons engaged in the said trade and to promote unity, goodwill and friendliness among the members.

(g) To consider all questions relating to the rights and privileges of persons engaged in the said trade and to devise ways and means for the removal of difficulties in their way in a constitutional manner.

(h) To act as mediators or arbitrators or surveyors in all matters of differences, disputes or claims between the members of the Association *inter se* or between members and their constituents or between persons engaged in the said trade.

(i) To establish, regulate and maintain a clearing house for the purpose of dealing with the transactions in the said commodities and to regulate and control admission to the same.

(j) To levy and recover fees for membership and to recover rates, tolls, cess charges, and other sums of money in respect of the commodities in which the Association is in any way interested and to receive and recover fines and penalties from delinquent members.

(k) To admit persons to the membership of the Association upon terms and conditions determined from time to time.

(l) To purchase or take on lease any moveable or immoveable property or to build, acquire or manage warehouses for such commodities and to undertake their transport.

(m) To receive money on deposit at interest or otherwise and invest the same in suitable securities.

Membership of the Oilseeds Exchange, Limited

Membership of the Association mainly consists of two classes, viz., the Merchant class and the Broker class. The existing membership of the Association is sub-divided into three panels—the brokers' panel, the buyers' panel and the sellers' panel and every member is required to declare to which panel he would belong within two weeks of the receipt of the notice served on him by the Exchange. Ordinarily, a member who belonged originally to the brokers' class would be included in a brokers' panel, but if he were a member of merchants' class, he can either be included in the buyers' panel or the sellers' panel, at his option, but at the same time at the direction of the Forward Market Commission any member can be included into any panel, subject to the condition that he cannot be included in more than one panel at the same time. The qualifications required for membership, the amount of entrance fee and deposit required to be paid, the conditions to be satisfied before enrolment and privileges or rights enjoyed are given in the comparative table attached herewith.

<i>Class of Members</i>	<i>Conditions to be fulfilled before admission</i>	<i>Qualifications necessary for admission or continuation of membership</i>	<i>Entrance fee Deposits and/or Annual subscription</i>	<i>Rights or privileges enjoyed</i>	<i>Remarks.</i>
(1)	(2)	(3)	(4)	(5)	(6)
1. Existing individual Members of Oil Seeds Traders' Association on 5th Aug. 1949 (which changed its name as Bombay Oil Seeds Exchange)	1. Must have a place of business in Bombay. 2. Must carry on or intends to carry on business in oilseeds. 3. Is an Indian subject.	(a) If he belonged to the broker class. (b) If he belonged to the Merchant class. (c) Ought to declare within specified time to which panel he should be admitted after enrolment. (d) Must exercise the right to continue as member on payment of amounts in column 4 before one month from the 2nd day of August, 1950.	Subscription of Rs. 200/- Subscription of Rs. 200/- plus Deposit of Rs. 5,000/-	All	Deposit is not refundable within 8 years nor does it carry any interest. On failure to intimate, the Board of Management has the power to include him in any panel with the sanction of Forward Markets Commission, but he cannot remain in two panels.
Or 1.(a) Firm or Joint Hindoo Family which is already a member of the Oil Seeds Traders' Association on 5th August, 1949.	Do	Do	Do	Do	Do

<i>Class of Members</i>	<i>Conditions to be fulfilled before admission</i>	<i>Qualifications necessary for admission or continuation of membership</i>	<i>Entrance fee Deposits and/or Annual subscription</i>	<i>Rights or privileges enjoyed</i>	<i>Remarks.</i>
(1)	(2)	(3)	(4)	(5)	(6)
2. Existing members of the following Associations on 5th August, 1949	(a) All the conditions shown against 1 & (b) Must agree to abide by Memorandum of Association and Articles of Association, Rules & Regulations and Bye-laws of the Exchange	Must exercise the right to continue as member on payment of amounts mentioned in Col. 4 before one month from the 2nd day of Aug. 1950.	Subscription of Rs. 200 & Deposit of Rs. 5,000/-.	Do	On failure to exercise the right to continue within the specified period on payment of amounts in Col. 4 membership ceases.
(a) The Grain & Oil Seeds Merchants' Association					
(b) The Western India Chamber of Commerce	(c) Must be competent to contract				
(c) The Bombay Grain & Seeds Association	(d) Must not be a lunatic				
(d) East India Chamber of Commerce (Vide article 8 of the Articles of Association).	(e) Must not be an adjudicated insolvent				
	(f) Must not be one who has compounded with his creditors				
	(g) Must not have been declared a defaulter by an Association recognised by Govt.				

A Firm or a Joint Hindu Family which is already a member of any of the four Associations on 5th August, 1949.	Do	Do	Do	Do	Do
3. Any other individual member who is not already a member of the existing associations mentioned in (1) and (2) above i.e. New members.	<p>(1) Must have a place of business in Bombay</p> <p>(2) Must carry on or intends to carry on business in oilseeds</p> <p>(3) Is an Indian subject</p> <p>(4) Is competent to contract</p> <p>(5) Must not be a lunatic</p> <p>(6) Must not be an adjudicated insolvent.</p> <p>(7) Must not be one who has compounded with his creditors</p> <p>(8) Must not have been declared as defaulter by an Association</p> <p>His application must have been received in the prescribed form accompanied by amounts shown in column 4.</p>	<p>(1) Continues to have place of business in Bombay and to carry on business in oilseeds</p> <p>(2) Agrees to conform to the Memorandum and Articles of Association</p> <p>(3) Continues to pay annual subscription mentioned in column 4</p> <p>(4) Ought to declare within specified time to which panel he belongs.</p>	<p>In respect of applications received prior to 4th Dec. 1951.</p>	<p>Rs. 500/- as admission fee.</p> <p>Rs. 5,000/- as Deposit</p> <p>Rs. 200/- as annual subscription.</p> <p>In respect of applications received on and after 4th Dec. 1951</p> <p>Admission fee Rs. 5,000/-</p> <p>Deposit for Rs. 15,000/-</p> <p>Annual subscription of Rs. 200/-.</p>	<p>On failure to intimate to which panel he will belong the Board with the sanction of Forward Markets Commission will include him in any panel it deems fit.</p>

<i>Class of Members</i>	<i>Conditions to be fulfilled before admission</i>	<i>Qualifications necessary for admission or continuation of membership</i>	<i>Entrance fee Deposits and, or Annual subscription</i>	<i>Rights or privileges enjoyed</i>	<i>Remarks.</i>
(1)	(2)	(3)	(4)	(5)	(6)
3.(a) A Firm or Joint Hindoo Family not already a member of the existing associations referred to in classes 1 and 2 above i.e. Firm or Joint Hindoo Family as New member	All the conditions applicable to individual members also applicable	All the conditions applicable to individual members also apply	As in 3 above	Do	Do
4. Joint Stock Companies which are already members of the Oil seeds Traders' Association or any one of the four associations mentioned in clause 2 above.	All the conditions shown against clause one in Col. 2.	All the conditions mentioned against Clause 1 Col. 3-a, b, c and d.	<p>If the company was a member of the Oilseeds Traders' Association.</p> <p>Annual subscription of Rs. 200/-.</p> <p>(b) If the company was a member of one of the 4 associations mentioned in clause 2 above.</p> <p>(i) Annual subscription of Rs. 200/-</p> <p>(ii) Deposit of Rs. 5,000/-.</p>	Do	On failure to intimate the intention of exercising right to continue as member by making requisite payment within the prescribed period, membership ceases.

4.(a) Joint Stock Companies which are not already members of the existing associations mentioned in clauses 1 and 2 i.e. new members admitted prior to 4th Dec. 1951.	(a) Must have a place of business in Bombay	(b) Must carry on or intends to carry on business in oilseeds	(c) Must have Indian domicile	(d) Application in the prescribed time must be accompanied by amounts shown in Col. 4	(a) Must continue to have place of business in Bombay	(b) Must continue to do business in oilseeds	(c) Must agree to conform to Memorandum and Articles of Association, Rules and Regulations and Bye-laws	(d) Must conditions to pay annual subscription	Rs. 500/- as admission fee.	Rs. 5,000/- as Deposit.	Rs. 200/- as Annual Subscription.	Do	On failure to intimate to which panel it will belong the Board with sanction of the Forward Markets Commission has the right to determine to which panel it will belong but it will not be included in more than one panel.
4.(b) New companies admitted on and after 4th December 1951	All the conditions mentioned in Col. 2 clause 4(a) and paid up share capital must not be less than Rs. 5/- lakhs				All the conditions mentioned in Col. 3 of clause 4(a) above.				Rs. 15,000/- as Deposit	Rs. 2,000 as admission Fee.	Rs. 200/- as annual subscription.	Do	Not entitled trade in the ring
4.(c) New companies other than a subject of India i.e. having a place of business elsewhere in India i.e. of non-Indian domicile or foreign companies	Do				Do				Rs. 50,000/- as Deposit	Rs. 2,500/- as admission fee	Rs. 200/- annual subscription.	1. Do 2. Not eligible for election on the Board 3. Not eligible to become office bearer of the Association.	Do

<i>Class of Members</i>	<i>Conditions to be fulfilled before admission</i>	<i>Qualifications necessary for admission or continuation of membership</i>	<i>Entrance fee Deposits and/or Annual subscription</i>	<i>Rights or privileges enjoyed</i>	<i>Remarks</i>
(1)	(2)	(3)	(4)	(5)	(6)
	(c) Application must have been ballotted for by the Board and ballot box kept open for a prescribed period				
	(d) At least 10 Directors must have voted on the application				
	(e) 3/4ths of votes cast must have been in favour of the applicant.				
	(f) Provided further that he or it is a national of a country that affords similar facilities to Indian subjects.				
5. A Firm or Joint Hindoo Family or an Individual of non-Indian domicile i.e. a foreigner.	Do	Do	Do	Do	—

Rights of membership

A person duly admitted to the membership of the Exchange has a right to enter into contract in oilseeds in forms prescribed by the Exchange from time to time, and a joint Hindoo family or a firm or a Joint Stock Company would be liable in all matters for the acts and defaults of their agents, servants and officers and would also enjoy all privileges of the Exchange. In certain circumstances mentioned in the bye-laws, a member ceases to be a member and the Exchange has also the power to expel, suspend, fine, warn, reprimand and declare a defaulter any member or his representative. The member against whom disciplinary action is taken becomes liable for payment of all fines or any other monies due to the Exchange or to any other member. All monies received by the Exchange belong to the Exchange absolutely, and the deposit amounts are used for fulfilling the engagements or liabilities when the member concerned has failed to honour his obligations. Such liabilities may be due to the Exchange or to any other member. Every member being an individual has to nominate as his authorized representative a person who has full authority to conduct and manage such member's business in oilseeds in Bombay. If he does not so nominate, he is deemed to have nominated himself. Such a representative must be a resident of Bombay and have, in the opinion of the Board, full authority to conduct and manage in Bombay the oilseeds business of a principal engaged in the oilseeds trade.

General Meetings of the Exchange

The annual general meeting will be held once in a year at such time and place as may be determined by the Directors. The business of an ordinary general meeting would be to receive and consider the profit and loss account, balance-sheet and reports of the directors and to announce the names of Directors and the Auditor elected. All other business transacted at an ordinary meeting and all business done at an extraordinary meeting will be called "special". Only authorised representatives of a member are entitled to vote and every person qualified will have only one vote, except the Chairman, who has, in addition, a casting vote. No member is entitled to exercise his voting right unless he is included in one of the panels. As regards procedure

at general meetings, whether ordinary or extra-ordinary a reference may be made to the Articles of Association.

Constitution of the Board of Directors and their duties

The Board of Directors will consist of not more than 24 persons inclusive of the President and Vice-President. The President and Vice-President will be elected by the Board from among themselves. The constitution of the Board of Directors is as under :—

(1) 18 directors are elected by representatives of members. Of such directors, (i) 5 should be the authorised representative of the members of the buyers' panel and elected by them, (ii) 5 should be the authorized representatives of the members of the sellers' panel and elected by them, (iii) 8 should be the authorized representative of the brokers' panel and elected by them, (iv) 2 directors should be co-opted from the authorised representatives by the elected members, (v) 4 directors should be nominated by the Central Government. There are certain circumstances as prescribed in the Articles of Association, in which a director ceases to be director. For the conduct of business 7 directors form a quorum, unless otherwise determined by the directors. The President ordinarily convenes a meeting of the Board but any five directors may call upon the Secretary to convene a meeting. A meeting of the Board with a quorum is competent to exercise all or any powers conferred upon it by the Statute or Articles of Association or the Bye-laws of the Exchange. The directors may also delegate any of the powers exercisable by them to a Sub-Committee consisting of members of their own body or of the members of the Exchange, and powers so exercised by the Sub-Committee would be subject to any regulations imposed upon it by the Board. The management of the business and funds and control of the Exchange would vest in the Board and without prejudice to the generality of powers conferred upon it, the Board has the power :—

(1) To pay the cost, charges and expenses incidental to the promotion, formation and establishment of the exchange ;

(2) To purchase for the Association any property, rights or privileges ;

(3) To secure the fulfilment of any contracts entered into by the Exchange by mortgage or charge of the property of the Exchange ;

(4) To expel or fine any member for any of the following acts or omissions :—

- (a) For refusal to abide by the awards,
- (b) For unbecoming conduct,
- (c) For misconduct (what is 'misconduct' has already been explained in the case of the E.I.C.A., Ltd.),
- (d) For violation of Bye-laws and orders passed by the Board and c.
- (e) For publication of misstatements,
- (f) For refusal to comply with the request made by the Board in any matter,
- (g) For non-payment of differences ; and
- (h) For misconduct in dealings with allied associations.

(5) To appoint any person to accept and hold in trust for the Exchange any property belonging to the Exchange ;

(6) To appoint and at their discretion remove or suspend all salaried officials and to fix their remuneration and to require security for such amounts as may be deemed fit ;

(7) To institute, conduct, defend and compound any legal proceedings by or against the Exchange or its officers and to refer any claims or demands by or against the Exchange to arbitration ;

(8) To invest and deal with monies of the Exchange upon such securities and in such manner as they think best ;

(9) To set aside out of the profits such sums as may be deemed fit towards a reserve fund to meet contingencies or for maintaining any of the properties, and for such other purposes as the Board thinks to be conducive to the interests of the Exchange ;

(10) To make rules, regulations and bye-laws and revise, add, amend or cancel the same in respect of various matters mentioned in the Memorandum and Articles of Association ;

(11) To set aside out of the income of the Association such sums as may be deemed fit towards provident fund for the benefit of the employees of the Exchange and their dependents ;

(12) To hold in trust as Agents all sums of money paid into the clearing house and all credits appearing in the books of the clearing house for the benefit of the members ;

(13) To place before every annual general meeting a profit and loss account and a balance-sheet accompanied by a report as to the state and financial condition of the Exchange ;

(14) To call upon any member at any time to submit a detailed statement in respect of his position in such form as may be provided on any date regarding hedge or delivery contract inclusive of the position of his clients, and to call for the production of books or any explanation from any member ;

(15) To direct a member to submit special clearance sheets in such form as may be prescribed, whenever it is apprehended that business is conducted by such member in a manner prejudicial to the interests of the trade or the welfare of the Exchange or whenever the Board considers that there is an emergency, corner or crisis ;

(16) To formulate a scheme of imposing margins applicable to all hedge contracts in order to prevent unhealthy conditions in the market ;

(17) To prohibit in an emergency trading in the hedge contract for any delivery or trading in any delivery contracts for the sale and purchase of goods at the rate above the maximum and/or below the minimum as may be fixed subject to certain conditions prescribed in the bye-laws;

(18) To prohibit trading in an emergency in hedge contracts for a specified period or until further notice as the case may be, subject to certain conditions laid down in the bye-laws ;

(19) To determine from time to time or extend or reduce the period during which a prohibition imposed should be in force ;

(20) To fix the maximum or minimum rate or rates for the purpose of trading in hedge and delivery contracts from time to

time and to vary the rates so fixed and to decide to fix settlement rates for forward contracts and to fix a special day :

(21) To fix the hours of trading or to alter the same from time to time ;

(22) To suspend the operation of any bye-law or any portion of it.

Cessation of Membership of the Committee or a Sub-Committee

The office of a member of any Committee or a Sub-Committee is vacated *ipso facto* in the following circumstances :—

(a) If he or his firm becomes insolvent or suspends payment, compounds with his or its creditors and if the member is joint-stock company, if it goes into liquidation.

(b) If he becomes of unsound mind or incapable of efficient attention to business.

(c) If he absents himself from the meetings of the Committee or a Sub-Committee during a period of three calendar months or six consecutive meetings, whichever period is longer, without obtaining the leave of absence from the Board.

(d) If he or his firm or a joint-stock company is suspended and expelled from membership.

(e) If he ceases to be qualified for the office of the membership of the Committee or Sub-Committee.

The decisions of the Board or its rulings or any construction put by it on the bye-laws in any matter shall be final and binding on all parties and cannot be liable to be questioned by members.

The Powers and Duties of the Secretary of the Exchange

The duties of the Secretary or any employee acting under his authority are :—

(1) To receive payment of all costs, charges, fees and other expenses.

(2) To receive applications for arbitration, reference and communications addressed by the parties during the course of arbitration.

(3) To give necessary notices and to communicate to the parties the orders, directions, decisions and awards of Arbitration Committee, Umpire or Appellate Tribunal.

(4) To take charge of all documents and papers relating to the reference except such as the parties are allowed to retain.

(5) To maintain a register of references.

(6) Generally to do all such things and to take such steps as may be deemed necessary, to assist the Arbitration Committee, Umpire and Appellate Tribunal in the execution of their functions.

Appointment of Sub-Committees

(1) *Arbitration Committee* :—In respect of the claims, differences and disputes required to be referred to arbitration under the bye-laws, the Board draws up a list of 16 persons who are members, partners, directors, managers or authorized representatives of members of the Exchange and who are not Directors of the Board of Exchange, at one of its meetings after election of the Board. Such a list is forwarded to the Forward Markets Commission who may add up to five names of persons belonging to the above categories and forward the same to the Exchange within 15 days of the receipt of the list from the Exchange. If the F.M.C. does not forward the names, the list prepared by the Board is considered to be final. After the expiry of 15 days, the Board appoints four panels of arbitrators, each consisting of four members from out of the list prepared by them and the names, if any, suggested by the F.M.C. The Board appoints on each of such panels one director of the Board who will act as the Chairman of the Committee; If the persons so appointed is unable to any arbitration matter, the members of the Arbitration Committee would appoint one of themselves to be the Chairman. The minimum number for a quorum would be three for the purpose of hearing and deciding the disputes. If the quorum for an Arbitration Committee cannot be found, the President may appoint an Arbitration Committee such number of persons, either members or directors are may be necessary, from the other Arbitration Committee to make up the quorum for the purpose of hearing and deciding any dispute pending before the Committee. The persons so appointed act as additional members of

the Arbitration Committee for the disposal of such disputes. The Arbitration Committee is required to make their award within fifteen days of their meeting, unless the period is extended by the President upon the request of the Arbitration Committee. Both the Arbitration Committee and the Appellate Tribunal are to act by majority and the decision of the majority would prevail. The Arbitration Committee appoints a disinterested person at its meeting to act as an Umpire who will be appointed by a majority vote. Where a majority decision is lacking, the Arbitration would draw lots, each suggesting one name and the name of the person whose name is drawn is considered to be the duly appointed Umpire. The award of the Arbitration Committee or the Umpire or the Appellate Tribunal would be binding on the parties. Each of the four Arbitration Committees works in rotation for one month. If any matter which has been heard by any particular Arbitration Committee is not fully disposed of before the end of the month, the said Arbitration Committee would continue to hear and decide the matter even after the period of rotation is over. When a reference to an arbitration is made by a party to the dispute, the Secretary of the Exchange refers the same to the Arbitration Committee functioning at the date of such reference and if a member of the Arbitration Committee or Umpire is interested in the subject-matter of the reference, he becomes disqualified to act in that particular matter as an Arbitrator or Umpire. If more than two members of a particular Arbitration Committee are so disqualified the reference is sent to the Arbitration Committee next in rotation for disposal. It is open to a party to the dispute to raise any objection against the appointment of a particular director as a member of the Appellate Tribunal on the ground that he is an interested party and the Board would decide the matter finally. It is not open to a director who is a member of the Arbitration Committee or an Appellate Tribunal to attend any meeting of the Arbitration Committee or an Appellate Tribunal at which an enquiry into the reference or at which an appeal is heard in which such director is directly or indirectly interested. Such a director who is absent on this account is also not qualified for participating in giving the final decision. The Arbitration Committee, Umpire or Appellate Tribunal may consult and obtain the advice of an Attorney or an Advocate upon any question of law, evidence or practice with

the previous permission of the Board, and the parties to the dispute may be called upon to bear the remuneration paid to such counsel in the proportion indicated. It is a condition precedent to the hearing of any reference or appeal that the prescribed fees charged should be paid in advance to the Exchange. The Exchange would collect all such fees and charges and pay the same to the Arbitrators, Umpires or Members of the Appellate Tribunal. The award of the Arbitration Committee or the Umpire would be final and binding on the parties to the reference, subject to a right of appeal to the Board within ten days of the publication of the award. If the award given according to the bye-laws of the Exchange is set aside by a Civil Court, the matter will again be referred to arbitration, unless the Court directs that the Arbitration agreement ceases to have effect with reference to the differences referred to arbitration. The bye-laws of the Exchange prescribe a definite procedure in case a party desires to appeal against the award. The Appellate Tribunal may remit the award to the Arbitration Committee or to the Umpire upon such terms as it thinks best, or it may also hear the Arbitrators or the Umpire or may call for a written statement from the Arbitrators or the Umpire. No party is permitted to bring any suit or prosecute any office-bearers or any member of an Arbitration Committee or Appellate Tribunal or Umpire in respect of any matter done under the bye-laws of the Exchange. The following is the scale of fees prescribed for arbitration and appeals :—

- (1) Rs. 30/- for an arbitration per sitting of two hours or less.
- (2) Rs. 100/- for an appeal to the Appellate Tribunal per sitting of two hours or less.
- (3) 50 per cent of the fees collected would be paid to Arbitrators and Members of the Appellate Tribunal.
- (4) If the matter is referred to an Umpire, 25 per cent of the fees would be paid to the Umpire and 25 per cent to the Arbitrators. In all cases, 50 per cent of the fees received is credited to the funds of the Exchange.

(2) *Appeal Committee* :—Whenever an appeal is preferred, the Board of Directors appoints an Appellate Tribunal consisting of the President and Vice-President and four other Directors who are not Members of the Arbitration Committee, (or the Umpire in that particular matter who has given the award against which such appeal is preferred). The president or Vice-President shall always be a member of the Appellate Tribunal. If for any reason he is unable to attend to any Appellate Tribunal, the Vice-President, if otherwise eligible, is appointed on the Appellate Tribunal. If the Vice-President is also not available, any other Director, if otherwise eligible, may be appointed in place of the President or the Vice-President. Three members of the Appellate Tribunal would form a quorum.

(3) *Panel of Surveyors* :—A panel of Surveyors consisting of 15 persons is prepared by the Board of Directors each year from among partners, Directors, or Managers or authorized representatives of members and the list so prepared is forwarded to the Forward Markets Commission. The F.M.C. may add not more than seven persons to act as Surveyors and intimate to the Exchange their names within 15 days of the receipt of the list of persons appointed by the Board to act as Surveyors. If the F.M.C. sends a list, the Panel of Surveyors for the year would comprise persons appointed by the Board and persons added by the F.M.C. If no such intimation is received from the F.M.C. the persons appointed by the Board shall be considered to be the Surveyors for the year. The Panel of Surveyors so appointed would continue until a new Panel is appointed. No Surveyor who is not on such Panel can be suggested for appointment as a surveyor by any person. All disputes arising out of contracts as to weight, refraction, quality and bagging are referred to two Surveyors out of the Panel who have no personal interest in the goods under survey. After either the buyer or the seller appoints his surveyor, he calls upon the other party to appoint his surveyor also. If within a period of five days of the receipt of such notice, either of the parties fails to make an appointment the Exchange will be informed accordingly and thereupon the President will appoint a Surveyor on behalf of the party in default. The two Surveyors are required to give their decisions within 15 days from the date of appointment of the second Sur-

veyor. If they do not agree as to the award, they would appoint an Umpire agreed to by them. If they, however, disagree, they would appoint one by drawing lot out of the remaining Surveyors having no interest either as seller or buyer. Every surveyor suggests his own name for appointment as Umpire and a lot is drawn aforesaid from two such names. The Umpire is expected to give his decision within seven days. The Surveyors are also required to survey within three days from the receipt of intimation to survey. If they fail, the President can appoint another Surveyor or Surveyors. On intimation by the Office of the Exchange that the analysis of goods is ready, the Surveyors are required to settle or appoint an Umpire. On their failure to do so, the President will appoint an Umpire. The samples will be drawn in the presence of both the Surveyors or their representatives. The Surveyors can take their banboowallas who would draw the samples, regarding marks the bags or the consignments bear; the Surveyors have authority to seal the samples and in such cases the Surveyors should appoint an Umpire within two days. The seals on bags should always be put on the top of each bag. While ascertaining the weight of groundnuts, the Surveyors should always assess driage. If there is a difference of opinion amongst the Surveyors as regards quality, a sealed tin filled with cleaned goods is required to be sent to the Umpire to decide the quality. Where a survey is held in respect of goods, covered by the Railway Receipt and tendered for delivery before the goods arrive, the survey cannot be cancelled afterwards and the survey fees have to be paid. Each party is called upon to bear and pay the survey fees for the goods rejected. If either of the parties (seller or buyer) fails to get the survey report within 15 days from the date of the appointment of Surveyors, a report is made to the Exchange about the delay and the Board of directors will thereupon make such enquiries as may be deemed fit and may direct the Surveyors or the Umpire to complete the Survey work immediately. The Board may also issue from time to time proper instructions for regulating survey work and the Surveyor infringing such instructions is removed from the list of Surveyors' Panel and some one else is appointed. The Board of Directors has also the power to increase the scale of fees for survey from time to time. The following is the scale of fees prescribed by the Exchange :—

(A) If goods to be surveyed are situated in B ward, Grain Depot (B.P.T. Sheds), Carnac Bunder and Wadi Bunder ;

(a) in case of a sole Surveyor Rs. 11/- will be paid by each of the parties. Of this sum, 50 per cent is retained by the Exchange and 50 per cent paid to the Surveyor.

(b) Each party will pay to the Exchange Rs. 15/- as survey fee, of which Re. 1/- will be retained by the Exchange. Rs. 7/- each will be paid to the Surveyors. If, however, the matter is referred to an Umpire, Rs. 10/- will be retained by the Exchange and out of the balance of Rs. 20, Rs. 5/- will be paid to each Surveyor and the balance of Rs. 10/- to the Umpire.

(B) If the survey is to be held at places comprising the area up to Matunga and Mahim. each party is required to pay Rs. 20/- as survey fee.

(C) If the goods are to be surveyed in areas other than Matunga and Mahim but within the area of the Bombay Municipal Corporation, each party is called upon to pay Rs. 25/- as survey fee.

(4) *The Daily Rates Committee* :—The Board appoints a Daily Rates Committee consisting of twenty persons chosen from the members of the Exchange, or the Partners, Managers or Directors or their duly authorised representations and divides the Committee into four Panels of five persons each. Each Panel functions for a week by rotation and three persons form a quorum. In the absence of a quorum, the members of the Panel present will call upon the other members of the Daily Rates Committee to form the requisite number for a quorum. The members of the Daily Rates Committee meet every day for the purpose of fixing and regulating the market rates of different kinds of oilseeds and the spot rates for basis oilseeds, under hedge contract during delivery period. It is competent to the Board itself to function as the Daily Rates Committee for any period by passing the necessary resolution to that effect. The rates fixed by the Daily Rates Committee are binding on all the parties and a right of appeal is provided to the Board if the Board

itself has not fixed the rates, and the appeal, if lodged, would be accompanied by an appeal fee of Rs. 25/- which will be credited to the Exchange. Such fee may be increased or decreased at the discretion of the Board. If the appeal is successful, half the amount of the fees paid would be refunded to the appellant. Due dates rates for hedge contract will be fixed and registered by the Board only.

(5) *The Ring Committee*.—The Board appoints every year a Committee called the Ring Committee consisting of not more than seven members to supervise the general management of the trading ring. Three members form a quorum. Trading ring means a space or spaces notified by the Board as reserved for trading in oilseeds for future delivery. The Ring Committee causes permits to be issued by the Secretary or the Assistant Secretary of the Exchange. No person is entitled to use the trading ring unless he is in lawful possession of a valid permit. Every member is on making a written request to the Secretary entitled to get 3 badges on payment of an annual fee of Rs. 3/- for each badge. If a member requires more than 3 but not exceeding 5 badges the Ring Committee may in their discretion, give the same on payment of Rs. 50/- each per year for every additional badge. In exceptional cases the Ring Committee may with the previous sanction of the Board may issue not more than 7 badges to be issued to a member subject to the payment of Rs. 25/- each per year for every badge exceeding 5. The person using the trading ring is called a 'ring trader'. Members are responsible for transactions entered into or for any act done by the ring trader nominated by them. A register of ring traders is maintained by the Secretary and all changes therein are promptly notified on the notice board of the Exchange. A badge of a ring trader can be transferred to the name of another person nominated by the same member on payment of a fee of Rs. 3/-. A new badge will be issued for the lost one on payment of Rs. 7/-. The Ring Committee may suspend the use of of any badge by a ring trader up to three days, and the holder of such badge is prohibited from using the trading ring during the period of his suspension. The Ring Committee may also impose a fine not exceeding Rs. 100/- on any ring trader. All orders, acts or proceedings of the Ring Committee are subject

to the general or special orders of the Board of Directors. The Board has also an inherent power to appoint a person or persons to exercise the powers and to perform the duties of a Ring Committee under the Bye-laws.

(6) *The Clearing House Committee*:—A Clearing House is maintained for the purpose of transmission of documents and payments ; and settlements between the contracting parties and is under the management of a Clearing House Committee appointed by the Board. The object in maintaining the Clearing House is to facilitate the delivery and payment in respect of goods or documents between members. For further details, see under Clearing House later in this chapter.

Physical Equipment

At present the Exchange holds its office and has its trading premises in a rented building on the Masjid Bunder Road.

Nature of Trading permitted by the Exchange

(a) *General Provisions*:—Trading is permitted in ready delivery contracts or forward delivery contracts or hedge contracts. Every contract under the bye-laws of the Exchange takes effect as one wholly made in Bombay. In case of death of a party to a contract under the bye-laws, the right can be exercised by or against the legal representative of the deceased. If a party dies during the pendency of an arbitration case before a final award is made, the proceedings can be continued by or against the legal representative of the deceased. A member trading in any contract not permitted by the bye-laws makes himself liable for disciplinary action. All goods to be tendered would be of fair average quality of the season except in the case of linseed or castor seed, as there would be no difference in quality in the old and new crops. The buyer may accept the goods with quality allowances or reject the same if the allowance comes to 4 per cent or more. Quality includes allowance for damaged, slightly damaged, touched and discoloured seeds specified in the terms of the contract. If a due date falls on a Sunday, or any other holiday, the date previous to such Sunday or Holiday is considered to be the due date. If a contract stipulates that delivery

to a particular or a specified party should be made and if the buyer desires to tender railway receipt (given under such contracts) to a third party, the original buyer must obtain permission of the original seller. If he has obtained such permission, the original seller can settle refraction, quality, bagging, etc. with the third party taking delivery. In case permission is not granted by the original seller and still the original buyer tenders R.R. to the ultimate buyer, or to the third party, he does so at his own risk, and the original seller will have the option to take refraction, quality and bagging of such lot as accepted and weight would be as stated in the R.R. In a contract for giving delivery to a specific party, no intermediate party can take delivery of such contracted goods and if he does so, refraction, quality and bagging such lot is taken as accepted and weight would be as shown in the Railway invoice. But if the party to whom delivery is intended fails, the intermediate party can take delivery himself and in that event, the above restrictions will not apply. The intermediate parties are required to pay or receive the difference of the whole of the contracted goods, even if the goods actually delivered be less or more.

(b) *Ready Transactions* :—Transactions in ready goods are effected on the basis of approved samples and the goods sold should conform to the quality and description of the samples approved by the buyer. A contract in ready goods may be verbal or in writing and would be subject to the provisions of the bye-laws. A buyer of ready goods should weigh over and take delivery of the goods within seven days from the date of the contract. This period would include Sundays and holidays. In calculating the period for taking delivery, the date of the original contract is taken into consideration. On failure of the buyer to take delivery within the period, he has to pay to the seller godown rent at half an anna per bag per day and interest charges at the rate of 8 annas per cent per month. On failure of either party to give or take delivery within the period, the other party may apply to the Exchange. Such application is required to be made within 24 hours accompanied by a fee of Rs. 11/-. If the application is delayed, an additional fee of Rs. 25/- is charged. An application received after the expiry of 15 days after the default, is rejected by the Board. Once the goods are taken delivery of, no

dispute regarding quality, weight, refraction can be entertained and payment or receipt for goods cannot be withheld on any ground whatsoever. If the goods contracted are destroyed by fire before delivery, such contracts become null and void and no compensation is payable by one party to the other. The buyer is required to pay for the goods on the day following on which delivery is given by the seller. On his failure to make payment, the seller is entitled to charge interest at 6 per cent per annum. It may be noted that the seller can demand cash payment against the delivery of goods and full payment must be made, and no deduction is permitted on any account between the buyer and the seller.

(c) *Bazar Delivery, or Dhara Terms for Ready Transactions*:—In a transaction for ready goods on bazar delivery or Dhara terms, the buyer and the seller are entitled to make such conditions as may be mutually agreed upon. In such a contract, the buyer takes delivery of the goods from the seller's godown within seven days from the date of the contract. If the day of delivery be a holiday or a Sunday, delivery should be taken on the preceding day. If, however, the market is closed on that day all of a sudden for any reason, the buyer should take delivery on the next opening day. In the absence of special conditions agreed upon between the parties, the following terms would apply to a contract on bazar delivery terms :—

- (a) Refraction in groundnuts, cotton-seed, linseed and castor-seed 4 per cent mutual.
- (b) In other oilseeds, 6 per cent mutual.
- (c) The system of drawing samples for refraction, quality is as follows :—
 - (i) In Groundnuts and castor-seeds, 10 bags out of 100 bags are selected by the buyer and the sample is drawn by joining two hands from the samples by keeping them vertical.
 - (ii) In other oilseeds, by piercing the bamboo in the bag and drawing the bomboos thence.
 - (iii) In cotton-seed the sample bags are emptied and the sample drawn with one hand.

- (d) The weight of the sample is not less than 100 tolas and if the same be less than 100 tolas, it is taken to be 100 tolas.
- (e) The gunny bags should not be torn and should be without any patches.
- (f) The weight of the gunny bag is included in the weight of the goods.
- (g) Other conditions are the same as in the case of ready transactions.

(d) *Delivery Contracts* :—The buyer is required to pay as part payment 90 per cent of the price in respect of all kinds of oil seeds except cotton-seeds for which 75 per cent is paid against R.R. or Bill of Lading duly endorsed in favour of the buyer by the seller or against the receipt of goods by the buyer or his agent. In case the seller receives 90 per cent as above, the total weight of the lot is ascertained on the basis of the average weight of the 10 per cent of the sample bags to be weighed in the presence of the seller. If, however, the seller has not received 90 per cent of the price, the buyer has to keep the whole lot intact, and it is at the option of the seller to get the whole lot weighed in his presence. In the case of a godown delivery contract, the seller has to state in the godown delivery order whether he desires to weigh the whole lot. If he does and if he has not received 90% or 75% as the case may be, of the price in part payment, he is called upon to bear the expenses of weighing and stacking the lot. At the time of weighment of each lot, if the weight of gunny exceeds $2\frac{1}{4}$ lb., such excess weight per each bag is added up and the total deducted from the whole lot. In the lot for which no part payment of 90 per cent of price has been received, the sample bags are required to be weighed within 24 hours of delivery, but if the whole lot is to be weighed, the weight is ascertained within three days of delivery. The sample for refraction and quality is drawn from 10 per cent sample bags only. In case the seller has received 90 per cent of the price, 10 bags are to be selected from the 10 per cent sample bags of the lot. In case he has not received 90 per cent and if he has mentioned in the delivery order that he desires to weigh the whole lot, such

10 bags will be selected from the whole lot. If the buyer desires to weigh the whole lot which he is entitled to do, he is called upon to bear the expenses of weighing and stacking the goods. The seller has to mark all the bags set apart for delivery against the contract. The gunnies containing goods sold on a delivery contract must be $2\frac{1}{4}$ lbs. B twills and if the gunnies are not of that type, the buyer is entitled to an allowance. In all kinds of oil-seeds except cotton-seeds, the sample for refraction and quality is drawn by the buyer from 10 sample bags by keeping 5 bags vertical and the other 5 parallel, by thrusting and encircling his hand in each of ten sample bags. In the case of cotton-seeds, refraction is drawn from any six bags from out of ten bags. If the refraction is to be drawn by the Surveyors, the Bomboowalla of the Buyer's Surveyor should draw it by thrusting and encircling his hand five times, and the Bamboowalla of the Seller's Surveyor is called upon to draw it by thrusting and encircling his hand once only. In a godown delivery contract, if the date of delivery is not specifically mentioned in the contract, the seller is required to give delivery of the goods within seven days of the date of the contract and on his failure, the buyer is entitled to buy the goods on the last day at the risk and account of the seller. If, however, the seller has given to the buyer godown delivery order and fails to give delivery, the buyer is entitled to buy the goods on the next day of the due date.

(e) *Delivery Contract against Railway Receipts* :—In a contract against the delivery of R. R. if the date of delivery is not specifically mentioned, the fourth day from the date of the contract is regarded as the due date. If it is specifically mentioned, that date is the due date. If the seller fails to deliver the R.R. before 2 p.m. on the due date, the buyer can take any one of the following measures :—

- (a) He can cancel the contract on the due date ;
- (b) He can buy at the risk of the seller after 2 p.m. on the due date ; and
- (c) He can close the contract at the spot rate fixed by the Board.

(2) If the time for delivery is specified, on a monthly basis, or up to a named date the last day for delivery of R.R. would be 7 days before the last day of the month or such named date but the seller may tender godown delivery goods up to 2 p.m. on the due date. On his failure, the buyer can exercise any of the options referred to above. In the case of linseed where the percentage of small seeds is to be determined, use is made of *mesh machine*, the handle whereof is to be turned for three minutes only. If the percentage of refraction in goods of any contract exceeds 8 per cent the seller has to pay to the buyer cleaning charges at the rate of Rs. 3-8-0 per bag. If the buyer rejects the goods, the seller can deliver another R.R. 9 days before the due date or deliver the goods according to godown delivery terms. The buyer has to inform the seller of the rejection of goods at the latest by the evening of the third day after the receipt of the survey report under which he rejects the goods, excluding non-working days but including the date on which the survey report is received by him. If the goods are validity rejected and on failure of the seller to deliver proper goods according to contract, the buyer is entitled to take the following steps :—

- (a) He can cancel the contract.
- (b) He can buy on account and at the risk of the seller on the sixth day after intimation of rejection.
- (c) He can close the transaction at the spot rate on the 6th day after intimation of rejection.

The seller has to remove the rejected goods from the buyer's godown within five days of rejection. In addition, he has to pay part payment received from the buyer, if any, with interest at 6 per cent plus cartage and railway freight. On failure of the seller to remove goods within five days of rejection, the seller is called upon to pay godown rent at the rate of half an anna per bag per day and other charges such as insurance, loading, unloading, packing, weighing, etc. as may be fixed by the Board. In the absence of a contract to the contrary, the seller is required to deliver to the buyer who is bound to accept delivery from the seller. The seller can arrange delivery of goods through his agent and the buyer cannot refuse to

accept delivery from such agent and pay him if so authorised by the seller. The presence of the seller's representative is necessary when goods delivered under R.R. terms are weighed in the buyer's godown. On his failure to attend within 48 hours of giving notice, the buyer should submit the goods for survey. When the goods are received in the buyer's godowns, the buyer is bound immediately to weigh the goods and get the same surveyed under the railway delivery contract. If the goods or the sample bags are not available with the buyer, the buyer is bound to make full payment on the basis of R.R. weight and is deemed to have accepted the goods without any claim for allowance regarding refraction, quality or bagging, but if at the instance of the seller, it is found that the goods contained less than 4 per cent refraction, the Board or a Committee shall ascertain refraction and the buyer has to pay to the seller accordingly. In the case of goods sold on godown delivery terms, if the seller sends goods to the buyer, the buyer is required to pay 90 per cent in part payment of price against the goods without raising any objection as to the quality of the goods. If the goods delivered are 1 per cent more or less, the contract is fulfilled at the price stated in the contract, but if the goods delivered are more than 1 per cent or less than 1 per cent, the difference exceeding 1 per cent either way is adjusted at the rate prevailing on the date of delivery. If the excess or deficit is discovered after the due date, the difference is adjusted to the rate prevailing on the due date. The weight arrived at by adding to or subtracting refraction from the goods and after deducting the weight of gunnies, is termed net weight, and the payment of contracted goods will be adjusted on this basis. In a delivery contract, the receipt for railway freight paid by the buyer should accompany the ten per cent price slip. If the railway receipt is tendered before 3-30 p.m. on a working day, or 12 noon on Saturday, the seller will bear the charges for demurrage until the end of the working day following that on which the railway receipt was tendered. Railway receipts tendered by the seller after 3-30 p.m. on a working day or 12 noon on Saturday are regarded as if tendered on the next working day. In a delivery contract Railway Receipt will be for delivery at Wadi Bunder, Grain Depot or Carnac Bunder. If the R.R. is for the Grain Depot, the buyer has to pay to the seller at the rate of half an anna per each cwt. more than the

contract price. If the goods consigned at owner's risk arrive in a damaged condition, the buyer is forthwith called upon to intimate the fact to the seller who will then take delivery of such goods or settle with the buyer. If the goods shipped under Railway risk are damaged, the buyer has to hand over the assessment report to the seller who will then claim the amount from the railway. This rule would be applicable to goods landed at Grain Depot, Wadi Bunder and Carnac Bunder. A buyer taking delivery from a railway authority should either lodge the claims with the railway authority in time in respect of assessment forms or bill part assessing the damages or shortages etc. or send the same to the seller before they become time-barred. If the goods are not delivered on or before the due date of the contract, either settlement will have to be made at the rate prevailing on the due date or the buyer has the option to buy at the seller's risk and account or to cancel the contract. If the market is closed on the due date of a delivery contract, the preceding day is considered to be the due date. If the due date for delivery of goods by R.R. or for godown delivery falls on a Sunday or a Bank holiday, the preceding day is considered to be the due date.

Forward Contracts including Hedge Contracts

A buyer making purchases of goods in exercise of the right of buying on account is prohibited from buying goods in which he has interest or from a person or a firm or company in which he is interested. Even if the buyer is required to buy on account or invoice back because of the failure of the seller to tender or rejection of the goods by the buyer, the buyer pays or receives from the seller at the next settlement the difference arising on account of buying on account or invoicing back as the case may be. In a delivery contract which does not go through the clearing house, the difference must be paid within 72 hours from the presentation of the debit note. Delivery contracts are required to be in writing and should contain a provision to the effect that they are subject to the bye-laws of the Exchange. In order to secure uniformity, suitable forms are provided in the Appendix. Some of these forms are to be utilised for contract between members or between members and non-members. Hedge contracts between members are required to be in writing,

but a memo relating to such contracts made in the books maintained by members and initialled by the respective parties or the representatives in such books would satisfy the requirements as to writing. When such contracts are otherwise reduced to writing, they have to contain a provision to the effect that they are subject to the bye-laws or words to a similar effect. Appropriate forms appended at the end may be used for the purpose. Hedge contracts between members acting as commission agents and their constituents will similarly have to be in writing containing a provision that they are subject to the bye-laws of the Exchange. Before entering into such contracts, members are required to obtain a statement in writing from their constituents that they are not partners in any member-firm. Non-compliance with this requirement will not render the contract void or illegal but will render the member liable for disciplinary action referred to in Bye-laws 311 and 312. A member acting on behalf of another in any transaction or in a capacity other than as a broker, on behalf of two or more parties is regarded as a principal and is responsible as such principal. There is no privity of contract between the constituent of the principal and any other person with whom the principal enters into contract for the purpose of his constituent's business, and the principal alone, with reference to his constituent, can set off, sell against or close the contract entered into with a third party, and the constituent has no concern with the dealings of the principal. Contracts between members or contracts entered into as commission agents on behalf of their constituents are governed by bye-laws and are reduced to writing in the form of a contract note. A havalas of a hedge contract made with the consent in writing of all the parties concerned is subject to the bye-laws and valid but cannot be cancelled without the permission of the Board. Direct havalas between two or more parties are effected on days notified by the Board and effected on the basis of immediately preceding settlement rates. The Board has power to declare as invalid any havalas effected by or with a member who at the succeeding or following settlement fails to meet his obligations and is declared as defaulter. When the havalas is so declared invalid by the Board, the difference on all outstanding transactions of the defaulting members should be paid or claimed as if no such havalas had been effect-

ed. Members are bound to maintain a record of all their transactions in oilseeds and books of accounts relating to the same for a period of three years for production, whenever required. Formerly there used to be hedge contracts in four kinds of oilseeds, viz. castor-seed, groundnuts, linseed and cotton-seed. The Exchange was for some time permitted to trade in futures in castor-seed only. Hedge trading for groundnuts, linseed and cotton-seed has now been permitted by the Central Government on the recommendation of the Forward Markets Commission. The basic quality for different hedge contracts is as under :—

- | | |
|-----------------|---------------------------------|
| (1) Castor-seed | ... Bombay Small Castor-seeds |
| (2) Groundnuts | ... Bombay Bold Groundnuts |
| (3) Linseed | ... Broach Bold Linseed |
| (4) Cotton-seed | ... As provided in the contract |

In the above Hedge Contracts qualities tenderable against the basic quality would be as under :—

- (1) Castor-seed : (i) Madras Small
 (ii) Gujerath Small
 (iii) Cutch or Saurashtra Small
 (iv) Castor-seed Bold (including Kanpur Bold)
- (2) Groundnuts : (i) Khandesh and Khandesh quality
 (ii) Bold (including Karad bold)
 (iii) Saurashtra Bold
 (iv) Coromandel
 (v) Red Natal
- (3) Linseed : (i) Brown Bold
 (ii) Brown Small
- (4) Cotton-seed : (i) Khandwa and Khandesh
 (ii) Mughlai
 (iii) Berar

The Board can, in consultation with the F.M.C. add to or delete or alter any qualities tenderable against the basic quality before the commencement of trading for a particular year. No change is permitted thereafter in that year. The Board may also fix differences, if any, payable for tendering qualities against the basic quality by any of the parties to the contract.

Months of Delivery:—Months of delivery for different kinds of oilseeds are as under :—

- | | | |
|-----------------|-----|----------------------------|
| (2) Castor-seed | ... | May and September |
| (b) Groundnut | ... | February, May and August |
| (d) Cotton-seed | ... | May and September |
| (c) Linseed | ... | January, May and September |

Delivery periods:—The delivery period is from the first to the last day of delivery as provided in the bye-laws relating to tenders and delivery orders. Unless otherwise specified in the contract, the due date for delivery would be the last day for different months.

Unit of Trading:—The minimum unit for transactions in the Hedge contracts will be 100 candies or 25 tons. Hedge contracts for trading in castor-seed, groundnut, linseed and cotton-seed would commence in the months shown below :—

<i>Kind of Oilseeds</i>	<i>Month traded in</i>	<i>Specific delivery month</i>
(1) Castor-seed	April and July	September and May (next year)
(2) Groundnut	January, April and July	May and August and February (next year)
(3) Linseed	April and July	September and May (next year)
(4) Cottonseed	July and December	January, May and September (next year)

The Board would usually fix the date of commencement of hedge trading. In consultation with the F.M.C., the Board may permit hedge trading during a period other than what is mentioned above. Transactions in hedge contracts will be for delivery from the seller's godowns. The buyer has to take the goods from the seller's godown at his own expense, but the goods to be weighed should be in godowns in B Ward Grain Depot, Carnac Bunder and Paton Bunder. But if the godowns are situated within the Municipal limits but outside the specific areas mentioned above, then extra charges such as cartage etc. will have to be paid by the seller to the buyer as may be fixed by the

Board. The Board of Directors would fix the rates of settlement on the last day of the delivery month, taking into account the ready market rates or any other relevant circumstances as they deem fit. Further the Board of Directors or a Committee would fix the clearing rates every Wednesday and if that day happens to be a closed day, then on the previous working day and shall cause the same to be noted and registered in the records of the Exchange. The Board may, if it deems proper, postpone or alter the days for clearing and/or for payment of accounts, provided that until such date as the Board may fix in this behalf in consultation with the F.M.C., such fixation or settlement rates shall be done every Thursday. No transaction or contract in which one of the parties is a member of the Exchange is considered invalid. Transactions between non-members will not be governed by the rules of the Exchange and no facilities also such as arbitration, tender and survey will be accorded and a member making use of such facilities on behalf of a non-member is liable to disciplinary action under the Bye-laws. A contract between a member and a non-member is considered to have been made under the Pukki Adat system and the relation between a member and a non-member will be that as between a principal and a principal. A member entering into a forward delivery contract with a non-member is entitled to demand from the non-member margin money up to one-fourth of the value of the contract and the non-member is bound to pay up the money so demanded. The member has a right to retain such money until the contract is fulfilled or closed. A non-member is also bound to remit the loss arising on account of such contract to the member and on his failure, to remit the money, and to discharge his own responsibilities the member concerned will have the right to close the contract at the market rate, and intimate the same to the non-member. The non-member entering into contract with a member is bound to return the contract note duly signed within three days of the receipt of the contract note, or from the date on which it ought to reach him in the ordinary course, and on his failure, to return the contract note the member is entitled to close the said contract. The duties and rights in respect of delivery of goods against forward contracts made between a member and a non-member are as follows :—

(1) If a non-member has sold goods to a member under the contract, he must despatch the goods at least five days prior to the due date to the godown of the member or his Mukadam at Bombay. If the goods reach after the prescribed time, the member may accept or reject the goods.

(2) On his failure to effect delivery, the said contract of sale is deemed to be closed at the rate prevailing on the due date, and the non-member has to pay the penalty at the rate fixed in the bye-laws. The difference between the due date rate and the contract rate or the rate of settlement shall be paid or received as the case may be.

(3) If the goods reach in time, the member may take delivery of the same himself or tender the goods through the Exchange by issue of a delivery order against his contract of sale with any other member.

(4) If a non-member has purchased goods from a member, under a contract, the member is entitled to give delivery either from the goods in his possession or from the goods received by him under a tender issued by any other member. The non-member is bound to pay the full price of the goods on or before the 25th day of the month prior to the month of delivery. If the monies are received within time, he would take delivery on behalf of the non-member and perform other necessary duties therefor. If the non-member fails to pay the member concerned the latter has a right to sell the goods in the open market or by public auction on account and at the risk and expense of the non-member. If the non-member fails to pay the price before the 25th day of the month prior to the month of delivery, the member has the right, after the prescribed time-limit, to close the contract at any time at the market rate prevailing in the forward market.

(5) In case the contract is closed, the non-member is bound to pay immediately to the member the amount of loss based on the difference between the rate of the contract first entered into or the last closing rate, whichever is applicable, and the rate of the contract thereafter made to close the said transaction. In case of delivery of goods the non-member has to pay to the member immediately the amount of loss and expense incurred by the member by selling or auctioning the goods. A

member may tender to the non-member any delivery order after the due date, provided he receives it on the due date or thereafter and the non-member has no right to raise objection against such a tender before the expiry of the month of delivery. On the failure of the member to give delivery of goods to a non-member, who has remitted the money to take delivery, the contract will be closed at the rate of the due date and the member is thereafter bound to pay penalty to the non-member according to the bye-laws. Differences between the rate of the contract or the last closing rate whichever is applicable and the rate fixed on the due date shall be paid or received by the parties. If the delivery of the goods is taken in fulfilment of the contract by the non-member, the latter is bound to accept the agreement between the first seller and the last buyer of the said delivery order or accept the decision of the surveyors regarding refraction, quality, weight and bagging of the goods and both parties shall effect payment accordingly between themselves. If delivery of the goods is made in fulfilment of a contract made between a member and a non-member directly except in case where it is effected by tendering a delivery order, the President of the Exchange, on receipt of an application of any of the parties concerned, may appoint two surveyors for surveying the goods and deciding the weight, refraction and quality of the goods, and the surveyors so appointed have also the power to appoint an umpire. The decision of the surveyors or the umpire would be final and binding on the parties. If the surveyors fail to give decision within the prescribed time, the President reappoints the surveyors or the umpire. If a non-member redelivers the goods received by him, against his purchase from a member to another non-member against his sale, and the President has appointed surveyors, on receipt of application from the member or the non-member, the decision of the surveyors is binding upon the latter non-member also. The buyer or the seller is prohibited from prescribing any conditions which are repugnant to the terms and conditions of the contract under the bye-laws.

Upcountry Delivery in Hedges Contracts

The Board of Directors can permit upcountry delivery in hedge contracts whenever they think it proper to do so. Before

the commencement of business in oilseeds of any crop, the Board would decide the question and it is not competent to change the mode of delivery during the pendency of any futures trading (Vaida) in respect of such crop for such year. The upcountry centre at which the delivery of oilseeds is permitted would be as per schedule appended to the bye-laws. The Board of Directors can make appropriate changes in the schedule in consultation with the F.M.C. before the commencement of the hedge trading for a particular year and no change will be made thereafter in that year. A member is entitled to issue delivery order within the prescribed time-limit in fulfilment of his contract of sale for delivery in any place outside Bombay mentioned in the schedule, provided that the goods to be delivered are in his or his agents' or banker's godown at the time of issuing such delivery order. But it may be noted that the seller should not issue a delivery order at a place where there is a ban against the movement of goods and if a permit is necessary for the purpose, it is the seller that should obtain it at his cost and send it to the buyer. In case where the seller fails to supply such permit, the buyer would be entitled to claim an allowance at the rate of Re. 1-8-0 per candy over and above the charges required for getting the necessary permit. The buyer is not entitled to refuse to take delivery on the ground that the railway booking is closed at the time. The seller is required to give delivery of the goods at such upcountry centres from a godown or a place having roof over it, and the buyer must take delivery of the goods within one month of the date of receipt of the delivery order. The buyer can, however, ask for extension of period for taking delivery and the Board, if it thinks fit, can grant such extension subject to payment of compensation by way of interest and other charges for such extension. When a person is declared the last buyer, he is bound to deposit with the Exchange an amount equivalent to 10 per cent of the value of the goods. The Board can demand from such buyer the full value of the goods as deposit, and the buyer is bound to deposit such amount within 24 hours of the demand notice but if there is a Bank holiday during the 24 hours then on the next opening day, after such demand is made. Payment of 90 per cent of the price after delivery of goods should be made to the seller by the buyer at the place where the goods are delivered and the

buyer is called upon to pay the balance of 10 per cent in Bombay immediately after the settlement of quality, refraction, weight and bagging. The amount deposited by the buyer with the Exchange will be refunded on production of the receipt of 90 per cent of price acknowledged by the seller. If the seller requests the Exchange to retain 10 per cent of the value of goods, then 10 per cent will be retained. The amount will also be refunded to the buyer on presentation of the receipt of the seller in full settlement of the account. When the buyer deposits 10 per cent of the price of goods for taking delivery in upcountry centres, a direct contact is established between the first seller—a member issuing the delivery order and the last buyer—a member receiving the delivery order and the intervening parties are not responsible regarding the goods comprised in such delivery order. If delivery is permitted in places other than Bombay, the seller is bound to pay to the buyer sea-freight and other charges as may be fixed by the Board. If the goods are delivered from upcountry centres, other than the five Ports, viz., Navalakhi, Veral, Jamnagar, Bedi and Kandla, the seller is required to pay to the buyer railway freight from the place of delivery to Bombay at the prevailing rate on the date of the delivery order and any other expenses fixed by the Board. Such expenses would include any kind of local, provincial and State cess or duties. The survey in respect of goods delivered in upcountry centres is generally made in Bombay. In case of disputes samples are drawn according to bye-laws and two sealed tins and a bundle of gunnies of the samples are sent by railway to the Office of the Exchange and the seller has to bear the charges of sending such samples. The Board can fix the fee for survey and all questions regarding upcountry delivery will be decided by the Board and their decision is final and binding on the parties.

Tenders and Delivery Orders in Hedge Contracts

In fulfilment of hedge contracts, goods are required to be tendered by delivery order only. Every delivery order is issued in lots of 100 candies, if the contract be in candies and 25 tons, if it is made on the basis of a ton, and it would be issued at the immediately preceding closing rate. Parties issuing delivery orders would receive or pay through the clearing house the difference

between the preceding closing rate and the rate of the transactions after such clearing. Delivery orders are required to pass between members only, but the members or their agents can give or take delivery of the goods covered by such delivery orders. The seller is entitled to issue delivery order for goods lying in his godown or godowns belonging to his agents within the municipal limits of Bombay, or such outside places as may be prescribed by the Board from time to time. If they are in godowns within the limits of the Municipal Corporation but outside the limits of B Ward Grain Depot, Carnac Bunder, and Paton Bunder, the seller is required to pay extra charges fixed by the Board. The first and the last working day of a delivery month and every Tuesday, Thursday and Saturday between these days (unless such a day is a holiday or a settlement day) is known as tender day, which may be changed from time to time. The members are, however, duly apprised of the change in the tender days. A member desiring to tender goods against the Hedge contract, sends to the clearing house not later than 1 p.m. on any tender day and 1-30 p.m. on the due date, particulars of his tender on the clearing house delivery order form. Form A contains particulars showing the rate of settlement, the quantity of the goods to be tendered, the name of the member issuing the delivery order and his buyer. Form B contains the following particulars :—

- (i) The rate of settlement.
- (ii) The address of the godown where the goods are lying.
- (iii) The quality of the goods to be tendered.
- (iv) The name of Mukadam.

On every tender day a member who has entered into a hedge contract for purchase and sale of oilseeds sends to the clearing house an instruction form. Such a form contains a full list of contracts in units of hundred candies or 25 tons as the case may be. The time for filling instruction forms is fixed as follows :—

For every tender day not being a due date, at or before 12 noon and between 12 noon and 1 p.m. with a late fee of Re. 1 but in case of due date, at or before 1-30 p.m., provided that

the work of passing on tenders has not been completed. In the absence of an instruction form, a member on receiving the tender shall be declared the last buyer. Mistakes committed or found in the instruction forms can be rectified in certain circumstances by paying a penalty. The clearing house passes on delivery orders to other parties, who have contracts for the same description and quantity of oilseeds. Each delivery order is given a register number. When the passing on of the delivery order is completed, the name of the last buyer is entered in the pucca delivery order by the clearing house and it is then transmitted to the last buyer branded with the official stamp of the clearing house and the seller is informed accordingly. The names of the first seller and the last buyer are posted on the notice-board and they are deemed to be parties for the purposes of the bye-laws of the Exchange without prejudice to the rights and obligations under the contracts made by any of them with intermediate parties or intervening parties *inter se*. If a delivery order contains insufficient particulars, its acceptance is refused by the clearing house, but if it is accepted through oversight, the member concerned will have to rectify it. If the name of the last buyer has been wrongly notified because the seller has given wrong instruction, such delivery order is passed on to the party who committed the mistake. The last buyer is not permitted to retender any delivery order except for the purpose of rectifying a *bona fide* mistake on payment of the prescribed penalty. The clearing house puts in the pucca delivery order on the last day for taking delivery which would be the seventh day after the delivery order is sent to the buyer or the next day if the seventh day be a holiday. On the refusal of the last buyer to accept the pucca delivery order, the first seller is apprised of the same and the unaccepted delivery order is sent to him. The first seller sells the goods thereafter either in the open market or by public auction on account and at the risk and expense of the last buyer and other parties concerned. The last buyer becomes liable under such circumstances for disciplinary action. For every tender of 100 candies, or 25 tons, the tenderer is called upon to pay As. 8 for each of such contracts entered into on the tender form. The clearing house sends the bill at the fortnightly clearing to be attached as voucher to the balance-sheet of the member concerned. For default in payment, disciplinary action is taken.

If the seller does not issue a delivery order in fulfilment of his outstanding sale transactions within the prescribed time in the delivery month, he is required to pay a penalty for failure to tender at the rate of Rs. 5/- per candy in respect of groundnuts, castor-seeds and linseeds and at Rs. 2-8-0 per candy in respect of cotton-seeds. In addition, he is required to pay the difference between the rate of the previous clearing and the rate of the contract, whichever is applicable, and the due date rate fixed by the Board. If the seller has issued a delivery order without any goods to tender against the same, and no delivery is given, the buyer applies to the Exchange within 24 hours of the default and the Exchange then deposes an officer to make an enquiry. At this enquiry, the seller has to point out the goods. If the officer deputed is satisfied on enquiry that the seller had not got sufficient goods to tender, he would issue a certificate to that effect. The seller is thereupon called upon to pay to the buyer the difference between the rate of the delivery order and the rate on the day of the issue of the certificate. If that day be the due date, or after the due date, the difference between the rate of the delivery order and the rate of the due date shall be claimed by the buyer who is also entitled to a double penalty, viz., Rs. 10/- per candy in respect of groundnuts, castor-seeds and linseeds and Rs. 5/- in respect of cotton-seeds per candy.

Weighment of Goods

The buyer has to take delivery of goods within seven working days from the date of the receipt of delivery order from the clearing house. This period may be extended at the discretion of the Board. The buyer cannot refuse to take delivery of the goods if there be any dispute regarding refraction, quality and bagging. If the buyer refuses to take delivery, the seller can apply to the Exchange with details of goods, and the Exchange would notify to the buyer of the same. If the buyer fails to send a satisfactory reply within 24 hours thereof, the Exchange would intimate to the seller that he is entitled to sell the goods in the open market on account and at the risk of the buyer. In selling the goods on account and at the risk of the buyer, if the seller incurs any loss, he is entitled to recover the same from the buyer, and if there

be any profit, the buyer is not entitled to recover the same. Goods as mentioned in the delivery order should be given and taken in full, but for shortage or excess of goods, differences will be paid or received at the closing rate of the day of delivery. If the goods are delivered after the due date, differences must be paid or received at the rate prevailing on the due date.

Refraction, Quality and Bagging.

At any time during weighment of goods, the buyer is entitled to sever and keep separate six bags out of every hundred bags, so that he can keep separate 20 bags out of each lot of 100 candies, and refraction, quality and bagging would be ascertained on the basis of the goods contained in separated bags. All kinds of oilseeds except cotton-seeds are packed in $2\frac{1}{4}$ lbs. B Twill gunny bags. In case the weight of a bag is less than $2\frac{1}{4}$ lbs., the difference in the market rate between $2\frac{1}{4}$ lbs. gunny bag and the bag in question should be given to the buyer. If the weight of the bag is more than $2\frac{1}{4}$ lbs., then this excess weight should be deducted from the total weight of the goods. In case of old or used bagging or difference in weight, an allowance to the buyer should be paid on the basis of new $2\frac{1}{4}$ lbs. B Twill gunnies. Cotton-seeds should be tendered in new bags weighing not less than $1\frac{1}{2}$ lbs. After completion of the weight of goods, the buyer in order to ascertain refraction and quality takes out samples, keeping five bags vertical and five bags parallel after thrusting and encircling the hand thrice in each of the ten bags kept separate as mentioned above, and is required to pack the samples thus drawn in a tin and seal the same. In case of cotton seeds, two tins should be filled and sealed. In order to ascertain the weight and quality of gunnies the buyer and the seller select one empty gunny out of ten bags from which the sample has been drawn. A bundle of these two gunnies will be made and sealed. The buyer and the seller may agree that the sample will be drawn according to the system of survey, i.e., the bags shall be arranged in vertical and parallel line one by one and then the buyer shall draw the sample by thrusting and encircling the hand five times inside a bag and the seller would also do likewise once only. The sample thus drawn is packed in a tin and sealed with the signatures of the buyer and the seller, and the

seller should also seal the bundle of two gunnies. The bundle of gunnies, together with a sealed tin or tins containing the sample drawn, would be kept in the godown of the seller who would be responsible for their safe custody, until they are sent to the office of the Exchange. After the completion of the procedure of drawing samples, the buyer is required at once to take delivery of bags set apart for drawing samples and both the parties are enjoined to mutually ascertain refraction and quality as per sample drawn after getting the same cleaned in the seller's godown. They should also settle allowances for gunnies as per sample kept within ten days and each party should confirm such settlement by exchange of signatures. If no such signatures are exchanged, it will be presumed that no mutual settlement has been arrived at in the above matters. If the parties have mutually settled one or more matters, out of the above three matters, then the survey shall be held for the remaining matter or matters only. The buyer entitled to reject the goods according to the award of the surveyors or the umpire exercises such option before the due date, and he should give intimation to the seller within 48 hours of the receipt of the report of the surveyors or the umpire regarding the rejection of the goods. The seller has to take the rejected goods from the godown of the buyer within 48 hours of the receipt of intimation of the report of surveyors or the umpire regarding the rejection of goods at his own expense and to refund the amount of advance against rejected goods together with interest at As. 8 and insurance charges at As. 12 per 100 bags. The seller is, in addition, required to pay to the buyer the expenses incurred by the buyer for the conveyance of goods to his godown for weighment and survey fee and godown rent at the rate of half an anna per bag per day for the period during which the rejected goods remained in the buyer's godown after 48 hours of rejection. The buyer is not responsible for the weight of the rejected goods after a period of seven days of the notice of rejection. If the buyer has exercised his option to reject the goods before the due date, the seller is entitled to replace the rejected goods within 48 hours of such rejection before the due date. The seller is required to pay to the buyer on account of rejected and unreplaced goods, the difference between the rate of delivery order and the rate ruling on the due date, and in addition, he is also liable to pay a penalty at the rate

of Rs. 5/- per candy of groundnuts, castor-seeds and linseeds and at Rs. 2-8-0 per candy of cotton-seeds. The seller cannot claim the difference between the rate of the delivery order and the due date rate, if favourable, but he is bound to pay to the buyer all expenses plus penalty.

The Clearing House

Subject to holidays fixed by the Board, the clearing house remains open daily from 11 a.m. to 5 p.m. except on Saturdays when it will be closed at 1-30 p.m. If, however, Saturday be a due date, it remains open till 5 p.m. Forms of delivery order, instruction forms, form of balance-sheet, vouchers, and other papers and documents used for the purpose of the clearing house are as shown in the appendix. They are prepared by the Board with the approval of the Forward Market Commission. Delivery contracts need not necessarily pass through the clearing house but all hedge contracts are subject to periodical settlements through the clearing house, and parties to the contract must necessarily be members of the Exchange. Payment of differences due on outstanding contracts and other liabilities must be made through the clearing house on days notified by the Board. Payments by or to a member in respect of differences on account of transactions in oilseeds under hedge contracts and the charges such as brokerage, penalty, are made once a week on the date fixed by the Board from time to time through the clearing house. Payments arranged outside the clearing house are regarded as mutual settlements between members concerned and are required to be reported immediately, to the Board, which can take disciplinary action against the member for his failure to report. Settlement rates for all transactions under the hedge contracts will be fixed by the Board after 3-30 p.m. on every Thursday, and if the market is closed on that day, the rate shall be fixed after 3-30 p.m. on the previous working day. On clearing days the market is ordinarily closed at 3-30 p.m. but the Board has power to alter the timings from time to time, provided that until such date as the Board may fix in this behalf, in consultation with the Forward Market Commission, such fixation of settlement rates is required to be done every Wednesday. Contracts entered into on or

before the date on which such rates are fixed are included in each settlement. In the case of contracts coming under settlement for the first time, differences are calculated between the contract rate and the settlement rate. In the case of contracts coming under subsequent settlements, differences will be calculated on the basis of settlement rates. Purchases from and sales to the same persons, firms or companies of the same quantity and description of a particular commodity for the same month or months of delivery, after appearing in one clearing statement, are declared closed contracts. They are not shown in any subsequent statements. The Board generally fixes the third working day immediately following the fixation of settlement rates and members on that day submit to the clearing house during business hours balance-sheets of their accounts. The day on which balance-sheets are required to be submitted to the clearing house is known as the settlement day. Members exchange settlement accounts not later than 12 noon on the working day, immediately preceding the settlement day. A procedure is prescribed for the submission of balance-sheets showing particulars relating to purchases and sales of hedge contracts, the margin payable thereof, the amount of the stamp duty payable thereon, and payment into the settlement account of the Exchange with the Banker (The Bank of Baroda, Ltd.). Provision exists in the bye-laws for calling for production of books also pointing out consequences of non-compliance with the bye-laws on similar lines as those mentioned in the case of the E.I.C.A., Ltd. but one important provision contained in the bye-laws may be mentioned and that is in regard to the payment of margins. Every member of the Exchange is enjoined to pay into the margin settlement account of each inward payment day not later than the time specified in the clearing house notice for payment in, of debit balances with the Bank of Baroda, Ltd. a deposit by way of margin on the net open position in respect of hedge contracts entered into by the member concerned during the working days for which settlement rates are fixed for such settlement. The aforesaid margin calculated as follows is payable on the highest net open position as at the close of business on any of the said working days :—

On the first 15,000 candies at the rate of Nil per candy.

On the next 10,000 candies at the rate of Rs. 1 per candy.

On the next, 10,000 candies at the rate of Rs. 2 per candy.

On the next 10,000 candies at the rate of Rs. 3 per candy.

On all candies in excess of 45,000 the rate charged is Rs. 4/- per candy. In regard to these margins it may be noted that because of an undue rise for some time past in the prices of oil-seeds, Government have felt impelled to check this rise in price which is brought about by an excessive speculative activity in oilseeds; a few important changes are, therefore, contemplated in the terms and conditions of the September, 1956 Hedge Contract for castor-seeds in which futures trading is at present strictly carried on. At the instance of the Forward Markets Commission, the authorities of the Oilseeds Exchange, Ltd., Bombay have decided, it is understood, to reduce the exemption limit for the purpose of imposing a margin on the net outstanding position of a member from 15,000 to 5,000 candies. The revised rates of margin would be applicable to the net open position on the day of the weekly clearing as against the present practice of calculating the margin on the basis of the highest net open position during the week. The Board has also decided to effect a special clearing and a change in the rates of margin with the consent of the Forward Markets Commission on the net outstanding position. The graded margins decided to be brought into effect are as under :—

On the first 5,000 candies at the rate of Nil per candy.

Between 5,001 up to 20,000 candies at the rate of Rs. 2 per candy.

Between 20,001 up to 40,000 candies at the rate of Rs. 3 per candy.

In excess 40,000 candies at the rate of Rs. 4 per candy.

The revision in the rates of margin and the slabs of open position are intended to go a great way in curbing excessive speculation. Again it is permissible to such a member to set off the whole

or any part of the margin money against any amount due to such member under the balance-sheet sent in by him, in respect of of such settlement. Further, it is open to a member in respect of any deposit made by him on the previous inward payment day to adjust the same or any part of it in the balance-sheet, sent in by him in respect of any subsequent settlement.

Effect of Failure Suspension of Payment or Insolvency of a Member on Contracts

In case of failure or suspension of payment or insolvency of a member, to whom a tender has been made or who has made a tender, the following procedure is applicable :—

(a) If the first seller fails, or suspends payment or becomes insolvent, his immediate buyer becomes the first seller and is required to buy back from the last buyer at a price to be fixed by the Board. The immediate buyer of oilseeds from the original first seller would thereupon invoice it back to the first seller at the same price at which he bought oilseeds from the last buyer.

(b) If the member who has failed or suspended payment or become insolvent is an intermediate party in a delivery order, his name is struck off the delivery order, and the seller and the buyer of such member are regarded as the contracting parties at that date for the sale and purchase of oilseeds at the rates mentioned in the delivery order. These parties should report to the clearing house immediately the amount payable or receivable from the intermediate defaulting party as representing differences mentioned in the delivery order and the instruction form sent to the clearing house.

(c) If the last buyer fails or suspends payment or becomes insolvent, the sellers of oilseeds to him are required to buy oilseeds from him at the rate fixed by the Board and assume all liabilities of the last buyer in respect of oilseeds, as they existed at the time of failure of the last buyer. The posting of a member as a defaulter on the notice-board and the declaration by the clearing house of his immediate seller as the last buyer would serve as a sufficient notice to the last buyer that he should take delivery of oilseeds. It is not, however, competent to such a last buyer to plead original seller's omission to give notice to take delivery of oilseeds as a defence for not taking delivery in accordance with

the bye-laws. Any member failing to pay differences or any other sum due under the bye-laws, when due, to any other member of the Exchange, is treated as a defaulter and if he fails to give notice of it to the Exchange, the Exchange will take action under the bye-laws. It may be noted in this connection that the clearing house does not guarantee the title, ownership, genuineness, regularity or validity of any goods or any document passing through it. Any of the parties may appeal to the Board against the decision of the Clearing House Committee within the time prescribed on payment of an appeal fee of Rs. 50/-. On submission of such an appeal, a special meeting of the Board is called within 24 hours of the receipt of such application. The decision of the Board is final and binding. No liability would attach to a member of the Board or a Clearing House Committee or to the Exchange by reason of anything done or omitted or delay in the normal operation of the clearing house nor will such members be responsible for title, ownership etc. of any goods or documents passing through the clearing house. Such functionaries of the Exchange will not also be liable for the acts of omission or commission of their servants and if any action is brought against such functionaries for things done or omitted in the ordinary course of business, they are entitled to be indemnified out of the funds of the Exchange. A person who is unable to meet his obligations of any kind at maturity to any other member or to the Exchange, is required to give notice of the fact to the Secretary to the Exchange. The latter will cause it to be posted on the notice-board. The notice is regarded as a true version of facts mentioned therein and with effect from the date of posting it would operate as a closure for outstanding contracts of the member signing it and all rights subsisting in favour of such member and liabilities outstanding against him shall thereafter be settled in accordance with the provisions of the bye-laws. Any other member having a claim against such a defaulter may demand an investigation by the Board into the affairs of the defaulting member. If on investigation by the Board it is found that the defaulter is able to meet his liabilities at maturity, he will be debarred from the privileges of settlement and the decision of the Board in this behalf, if posted on the notice-board, will be conclusive of the result of investigation and would operate as a sufficient notice to all concerned. If after investigation, the

Board finds that a member of the Exchange has failed to fulfil his obligations, he would be declared a defaulter. The Board may collect the debts due to the defaulter from his debtor-members for the benefit of his creditors. The deposit of the defaulter with the Exchange may be utilized in paying off his liabilities. The Board may appoint a Defaulter Committee for receiving the debts of the defaulter and disbursing the amount so collected among his creditor-members. In the event of any member being brought within the jurisdiction of the Insolvency Court, or if he suspends payment, or if he fails to intimate to the President of the Exchange of his inability to meet his liabilities, he is debarred from exercising rights of membership, except arbitration, in respect of claims arising from contracts entered into by him before the occurrence of any of these events. The Board may also require such member to furnish a correct statement of affairs signed by him. If, however, such member has made an honourable settlement with his creditors, he may again be admitted to the membership of the Exchange, subject to such conditions as the Board may prescribe.

Closing of Contracts in case of Insolvency etc.

If before the maturity of a contract one of the parties—who is a member—suspends payment or is declared a defaulter or dies, leaving nobody to take his liability under the contract, or if he becomes insane or incapable of managing his affairs or is expelled from membership, his contract may be closed and then the following provisions would apply :—

(a) If the contract is a hedge contract, when the name of the defaulting party is posted on the notice-board, the Board fixes the terms of closure of the contract which would also be promptly notified and posted on the notice board.

(b) In fixing the terms of the closure of the contract, the Board would be guided by the market conditions and prices at the time of declaration of the member as a defaulter or at the time of posting or suspension or supervening incapacity or death. The Board shall have discretionary powers as to the extent to which they should be guided by these and other relevant matters and considerations of the relevance and importance of which they would be the sole judges.

(c) If the contract is one other than a hedge contract, the Board or the President may appoint two Arbitrators with power to appoint an Umpire, all of whom will be members of the Exchange or their authorized representatives to fix the terms of closure of the contract, subject to the right of appeal to the the Board before the third day following the date of award in the arbitration.

Emergency Corners or Raids

Whenever it appears to the Board that purchases or sales of oilseeds are made for the purpose of inducing a false appearance of activity, or bringing about conditions of demoralization in which prices will not reflect true market values, or whenever it is apprehended that business is being conducted in a manner prejudicial to the interests of trade or welfare of the Exchange, the Board may direct a member or members to submit special clearance sheets which would be regarded as confidential. A member not complying with this request will be dealt with under the disciplinary bye-laws of the Exchange. The Board has power at any time to call upon a member to submit a detailed statement regarding his position or his client's position in respect of hedge or delivery contract. For the purpose of verifying such statements the Board may call for production of books of accounts or any information or any explanation from any member who is liable to be dealt with under the disciplinary bye-laws of the Exchange for non-compliance. The Board may also evolve a scheme of imposing margins in order to prevent unhealthy conditions in the market, subject to such scheme being passed at a meeting of the authorised representatives and approved by the Forward Markets Commission. It would then apply *ipso facto* to all hedge contracts outstanding at the time of exhibiting the notice relating to the same on the notice-board of the Exchange. Whenever in the opinion of the Board, an emergency exists, the Board may by a resolution passed by a majority of not less than two-thirds of the Directors present (a fraction being counted as integer), the number of Directors present being not less than twelve, prohibit as from the date of confirmation hereinafter mentioned or from such later date as may be fixed by the Board in the said resolution.

(a) Trading in the hedge contracts for any delivery or deliveries and/or

(b) Trading in any delivery contracts for the sale and purchase of goods at the rate or rates above the maximum or below the minimum fixed by the Board ;

(c) For a specified period or until further notice, as may be determined.

The Board may, by passing a resolution by not less than two-thirds majority of directors, the number of whom present must be not less than twelve, either reduce or extend the period of such prohibition. When a resolution prohibiting trading is so passed, it would not be effective until it is later confirmed by a resolution passed by not less than three-fourths of the authorised representatives present and voting at an Extraordinary General Meeting, which is convened by giving 48 hours' notice, provided the decision of the Board and the convening of the Extraordinary General Meeting are communicated to the Forward Markets Commission. Further, if the Exchange does not hear anything to the contrary from the Forward Markets Commission within 24 hours of such communication the resolution becomes immediately effective, but it may be noted that if the resolution regarding the prohibition of trading is passed unanimously by the Board or at the instance of the Forward Markets Commission, a confirmation at a subsequent Extraordinary Meeting and communication of the calling of such meeting to the F.M.C. would not be necessary, and the Board should simply apprise the Commission of the decision of the Board. An emergency can also be declared on requisition of 175 authorized representatives by complying with certain formalities. The Board has power, by passing a resolution by a simple majority, to fix the maximum and minimum rate or rates for the purpose of trading in hedge or delivery contracts and may vary from time to time the rate or rates so fixed.

In the case of oilseeds in which only non-transferable specific delivery contracts are permitted, under any law on the date of the contract, the following clause is considered to be incorporated :—

"This contract is a non-transferable specific delivery contract".

Laga or Cess Payable to the Exchange

Every member pays to the Exchange laga or cess :

(a) On every hedge transaction relating to the purchase or sale of oilseeds of his constituents at the rate of annas 2 per every transaction of purchase and per every transaction of sale of 100 candies or 25 tons. On every transaction "other than hedge" of purchase or sale of oilseeds at the following rates per every transaction of purchase and per every transaction of sale at (a) Annas 8 per 25 tons ; (b) if less than 25 tons at anna 1 and pies 6 per every 50 bags or part thereof.

(b) On every transaction "other than hedge" of purchase or sale put through by a member acting as a broker between two members of the Exchange at As. 6 per transaction of 25 tons of purchase or sale.

(c) Members acting as brokers between two members for transactions "other than hedge" shall buy contracts for bazar dhara, ready delivery, and delivery contracts from the Exchange.

(d) Every member has to pay the amount of laga or cess to the Exchange at the end of every six-monthly period for transactions effected during each such period.

(e) Taravani business is excluded. A member is not liable to pay cess on such business.

(f) A member can recover cess from his constituents. The Board has power to call for production of books of accounts of members for the purpose of satisfying themselves as to whether any member has or has not paid cess. If a member is discovered to have paid less than what is due under the bye-laws, he makes himself liable to be dealt with under the bye-laws. Further, the Board, has also power to decide, subject to an appeal to the general Meeting, the manner and method of utilization or apportionment of monies received as cess, or value received from contracting firms. The bye-law regarding laga or cess has come into operation with effect from 1st March 1955 and the laga or cess is payable on transactions effected on and after the afore-said date.

APPENDIX E

THE BOMBAY OILSEEDS EXCHANGE LTD.

Form for Non-Transferable Specific Delivery Contracts

(Between Member and Member)

Contract No. Bombay, 19... ..

Shri/Messrs.

Bombay.

Dear Sir/Sirs,

I/We have this day *bought for/sold* for youTons
bought from/sold toBags
 only 1 per cent more or less of..... fair
 average quality of the season at Rs. per cwt. net weight
 free Railway Station Bombay or to be delivered at buyer's
 godown.

Delivery period at seller's option.

Buyer shall not be obliged to accept tender of less than 100 bags at a time.

Buyer shall have the option to refuse Railway Receipt if not tendered 7 days before the due date of the contract.

In the event of the contract being for more than 25 tons, each 25 tons to be regarded as a separate contract.

Refraction, bagging, payment, quality allowance, etc. as per the Bye-laws.

Brokerage.—Up to 2 annas per cent to be paid by the seller.

The above-mentioned quantity contracted for to be delivered
to

This contract shall not be cancelled.

This contract is a Non-transferable Specific Delivery Contract.

This contract is entered into subject to the Bye-laws in force from time to time of the Bombay Oilseeds Exchange, Ltd., of which the parties admit that they have knowledge and notice of and that all disputes and differences in respect of this contract shall be settled according to the Bye-laws of the Bombay Oilseeds Exchange, Ltd.

Yours faithfully,

Buyer's signature

Broker

*Strike out whatever is not applicable.

THE BOMBAY OILSEEDS EXCHANGE LTD.

Form for Non-Transferable Specific Delivery Contracts

(Between Members and Non-Member)

Contract No. Bombay, 19... ..

From

To Messers.

Dear Sir/Sirs,

I/We have this day *bought for/sold for you subject to the
bought from/sold to

Bye-laws of the Bombay Oilseeds Exchange Ltd., which contain
amongst other things provisions for the settlement of disputes
by arbitration.

..... Tons/Bags only 1 per cent more
or less of Fair average quality of the season at
Rs.per cwt. net weight to be delivered in Bombay.

Delivery period at seller's option.

Refraction, bagging, payment, quality, allowance, etc., as per
the Bye-laws.

Special terms, if any

Brokerage :—

Commission :—

This contract shall not be cancelled.

Remarks, if any.

This contract is a non-transferable Specific Delivery Contract.

Yours faithfully,

Buyer's signature

.....

Broker

Commission Agents

*Strike out whatever is not applicable.

THE BOMBAY OILSEEDS EXCHANGE LTD.

Form for Transferable Specific Delivery Contracts

(Between Member and Member)

Contract No. Bombay, 19... ..

Shri/Messrs.

... .. Bombay.

Dear Sir/Sirs,

I/We have this day *bought for/sold for you Tons
bough from/sold to Bags
only 1 per cent more or less of.....
 fair average quality of the season at Rs.per cwt. net
 weight free Railway Station, Bombay, or to be delivered at buyer's
 godown.

Delivery period at seller's option.

Buyer shall not be obliged to accept tender of less than 100
 bags at a time.

Buyer shall have the option to refuse Railway Receipt if not
 tendered 7 days before the due date of the contract.

In the event of the contract being for more than 25 tons, each
 25 tons to be regarded as a separate contract.

Refraction, bagging, payment, quality allowance, etc., as per
 the Bye-laws.

Brokerage.—Up to 2 annas per cent to be paid by the seller.

The above-mentioned quantity contracted for to be delivered
 to

This contract shall not be cancelled.

This contract is entered into subject to the Bye-laws in force from time to time of the Bombay Oilseeds Exchange Ltd., of which the parties admit that they have knowledge and notice of and that all disputes and differences in respect of this contract shall be settled according to the Bye-laws of the Bombay Oilseeds Exchange Ltd.

Yours faithfully,

Buyer's signature

Broker

This contract shall not be cancelled.

This contract is entered into subject to the Bye-laws in force from time to time of the Bombay Oilseeds Exchange Ltd., of which the parties admit that they have knowledge and notice of and that all disputes and differences in respect of this contract shall be settled according to the Bye-laws of the Bombay Oilseeds Exchange Ltd.

Yours faithfully,

Seller's signature.....

Broker

*Strike out whatever is not applicable.

THE BOMBAY OILSEEDS EXCHANGE LTD.

Form for Transferable Specific Delivery Contracts

(Between Member and Member)

Contract No. Bombay, 19... ..

From

To Messrs.

Dear Sir/Sirs,

I/We have this day *bought for/sold for you subject to the
bough from/sold to

Bye-laws of the Bombay Oilseeds Exchange Ltd. which contain amongst other things provisions for the settlement of disputes by arbitration Tons/Bags only 1 per cent more or less of Fair average quality of the season at Rs. per cwt. net weight to be delivered in Bombay.

Delivery period at seller's option.

Refraction, bagging, payment, quality allowance, etc., as per the Bye-laws.

Special terms, if any

Brokerage :—

Commission :—

This contract shall not be cancelled.
 Remarks, if any.

Yours faithfully,

Buyer's signature

Brokers

Commission Agents

*Strike out whatever is not applicable.

THE BOMBAY OILSEEDS EXCHANGE LTD.

Form for Hedge Contracts

(Between Member and Member)

Contract No. Bombay, 19....

Shri/Messrs.

Dear Sir/Sirs,

I/We have this day *bought for/sold for you subject to the
bough from/sold to
 the Bye-laws in force from time to time of the Bombay Oilseeds
 Exchange Ltd. Candies/Tons of for
 Delivery at Rs. per Candy/Cwt.

Description of goods.—Fair average quality of the season.

(Exception : In castor-seed and linseed there shall be no difference as regards old and new crops).

Delivery from..... toat seller's option. Buyer to take delivery of goods from the seller's godown.

Refraction, bagging, quality allowance, payment, etc., according to the Bye-laws.

Brokerage.—Up to $\frac{1}{4}$ per cent to be paid by the buyer.

Yours faithfully,

Seller's signature.....

Broker

*Strike out whatever is not applicable.

THE BOMBAY OILSEEDS EXCHANGE LTD.

Form for Hedge Contracts

(Between Member and Non-Member)

Contract No.

Made in Bombay of

To

Shri/Messrs.

Dear Sir/Sirs,

I/We have this day *bought for/sold for you, subject to the
bought from/sold to

Bye-laws of the Bombay Oilseeds Exchange Ltd., in force now
 and from time to time in future and subject also to my/our
 charges and terms of business mentioned below Candies/
 Tons fordelivery in Bombay @ from
 to at seller's godown at Rs. per
 Candy/cwt.

Terms

1. I/We am/are not at all responsible for any errors or delay
 in transmission of telegrams.

2. You shall pay to me/us all amounts due in respect of per-
 iodical settlements according to the Bye-laws of the Exchange.
 You shall, as and when required, deposit with me/us within 24
 hours, any amount demanded by me/us in terms of the Bye-
 laws as margin till the completion of the contract; and if you
 fail to do so, I/we shall be at liberty to close your transactions
 under term 4 hereof.

3. This contract shall be taken as having been made between
 Principal and Principal.

4. If you fail to comply with any of the aforesaid terms or to return to me/us duly signed the attached confirmation note within three days from the receipt hereof, I/we shall be at liberty to close the contract at market rate at your risk and on your account without consulting you.

5. In the event of any dispute of any nature arising out of this contract, the same shall be settled by arbitration in Bombay according to the Bye-laws of the Bombay Oilseeds Exchange Ltd.

Yours faithfully,

----- Signature -----

*Strike out whatever is not applicable.

@Delivery may also be given at any upcountry centres if so fixed by the Board under the Bye-laws.

THE BOMBAY OILSEEDS EXCHANGE LTD.

Form for Hedge Contracts—Confirmation

(Between Member and Non-Member)

Contract No. Date

To

Shri/Messrs.

Dear Sir/Sirs,

I/We confirm that you have this day bought for/sold for*
I/we have this day bought from/sold to
me/us in Bombay, subject to the Bye-laws of the Bombay Oil-
you
 seeds Exchange Ltd. in force now and from time to time in
 future and subject to your usual charges and terms of business
candies/tons fordelivery in Bombay
 **at the rate of Rs. per Candy/Cwt. from
 to at seller's option.

I/We have entered into this contract with you on my/our own
 behalf and risk.

I/We undertake to abide by the Bye-laws of the Bombay
 Oilseeds Exchange Ltd. and to comply with your terms and con-
 ditions of business and I/we hereby authorise you in the event
 of my/our failing in this undertaking, to close this contract or
 any portion thereof at your option either immediately or at
 such later time as you deem fit, without giving me/us any fur-
 ther notice.

In this connection, if I/we raise any objection contrary to
 the terms, the same will have no effect on the contract. I/We
 am/are also responsible for all such losses arising from the con-
 tract being closed by you as stated above.

In the event of any dispute arising between you and me/us out of this contract, I/we agree to refer the matter to arbitration in Bombay according to the Bye-laws of the Bombay Oilseeds Exchange Ltd., and to abide by the Arbitration Award.

Yours faithfully,

Signature

*Strike out whatever is not applicable.

**Delivery may also be given at any upcountry centres is fixed by the Board under the Bye-laws.

FORM "1"

(To be submitted in duplicate by members using
the Clearing House)

Statement under Bye-law 259-A.
(Statement of position and margin)

Bombay,

From

000 000 000 000 000 000 000 000 000 000 000

(The Clearing House is not responsible for errors)

I/We hereby give below particulars as to the sales and purchases effected by me/us in respect of hedge contracts of all delivery periods including those of my/our clients, during the period from to being the day on which settlement rates have been fixed for the current settlement, as well as the resultant net open position at the end of each of the working days during the period :—

Date	Purchases (in Candies)		Sales (in Candies)		Net open position		Total net open position
	May	Sept.	May	Sept.	May	Sept.	
Previous position brought forward.							
Total :							

Margin Statement

(To be filled in if the net open position exceeds the free limit of candies on any day and/or as at the close of business on 195).

Amount of margin payable by me/us as per the above statement :—

On Candies at Rs. per Candy Rs.

On Candies at Rs. per Candy Rs.

On Candies at Rs. per Candy Rs.

On Candies at Rs. per Candy Rs.

Total Rs.

Less:—

Amount of margin already paid ... Rs.

Amount payable/refundable ... Rs.

Adjustment

Cr.

Dr.

Amount to be received by
me/us as per Balance-
sheet. ... Rs.....

Amount to be paid by
me/us as per Balance-
sheet. ... Rs.....

Add: Margin amount to
be paid by me/us as per
this statement ... Rs.....

Add: Margin amount to
be paid by me/us as per
this statement Rs.....

Or

Or

Less: Margin amount to
be paid by me/us as
per this statement. ... Rs.....

Less: Margin amount to
be refunded to me/us as
per this statement Rs.....

Total/Balance to be
received by me/us ... Rs.....

Total/Balance to be paid
by me/us Rs.....

I/We hereby declare that the above is a complete and true statement and that in respect of the constituent's business included in this statement, I/We have obtained statements in writing from them to the effect that none of them is a partner of any other member firm.

Signature of Member.

THE BOMBAY OILSEEDS EXCHANGE LTD.

FORM "2"

Member's Registered No.

(To be submitted in *duplicate* by members not using the Clearing House)Statement under Bye-law 259A.
(Statement of position and margin)

Bombay,19....

From

(The Clearing House is not responsible for errors).

I/We hereby give below particulars as to the sales and purchases effected by me/us in respect of hedge contracts of all delivery periods including those of my/our clients, during the period from to, being the day on which settlement rates have been fixed for the current settlement, as well as the resultant net open position at the end of each of the working days during the period :—

Date	Purchases (in Candies)		Sales (in Candies)		Net open position		Total net open position
	May	Sept.	May	Sept.	May	Sept.	

Previous position brought forward.

Margin Statement

(To be filled in if the net open position exceeds the free limit of candies on any day and/or as at the close of business on 19...)

Amount of margin payable by me/us as per the statement:—

On Candies at Rs. per Candy Rs.

On Candies at Rs. per Candy Rs.

On Candies at Rs. per Candy Rs.

On Candies at Rs. per Candy Rs.

Total Rs.

Less:

Amount of margin already paid ... Rs.

Amount payable/refundable ... Rs.

I/We hereby declare that the above is a complete and true statement and that in respect of the constituent's business included in this statement, I/We have obtained statement in writing from them to the effect that none of them is a partner of any other member firm.

Signature of Member.

The following Schedule of upcountry centres for delivery of castor-seeds against hedge contracts (Bye-law 144) shall be added as an Appendix to the Bye-laws of the Exchange as page 78 :—

THE BOMBAY OILSEEDS EXCHANGE LTD.

Schedule of upcountry centres for delivery of Castorseeds against hedge contracts.

1. Veraval	2. Jamnagar	3. Navlakhi	4. Bedi
5. Kandla	6. Jadcharla	7. Bhongir	8. Warangal
9. Shednagar	10. Khamameth	11. Kajipeth	12. Jangam
13. Raichur	14. Falaknama	15. Nizamabad	16. Mancherial
17. Peddapalli	18. Hyderabad	19. Harij	20. Patan
21. Unjha	22. Visnagar	23. Vadnagar	24. Kalol
25. Talod	26. Dohad	27. Sidhpur	28. Ahmedabad
29. Vijapur	30. Chanasma	31. Deesa	32. Kanpur
33. Kalpi	34. Kaunch	35. Mauranipur	36. Banda
37. Karvi	38. Bhind	39. Chanda	40. Balotra.

CHAPTER VII

DEFECTS IN THE PRESENT SYSTEM OF MARKETING OF AGRICULTURAL PRODUCE IN INDIA AND ADOPTION OF MEASURES FOR THEIR REMOVAL

The main defects in the existing system of marketing of agricultural produce have already been referred to while dealing with the various topics and they are briefly summarized below for convenience of reference.

Lack of Associative Action amongst Producers

The transition from a self-sufficient economy to economy based on production for exchange has come to an end and agriculturists in India have not yet fully appreciated the value of joint or combined action for the purpose of bargaining on equal terms with buyers of agricultural produce who have an organisation of their own. This is so because agricultural producers are small cultivators scattered all over the country and having very little time to look to the marketing side of their business while purchasers of commercial crops on the other hand are large-scale operators on an organized basis. Besides, it is only recently that the State in India has been taking interest in the development of orderly marketing of agricultural products. In the circumstances it is not uncommon to find that producers of agricultural products as a class are being exploited by the stronger section, namely the purchasers of agricultural produce.

Village Sales

The reasons as to why most of the agriculturist-producers prefer or are compelled to sell their produce immediately after the harvest in a glutted market have been mentioned previously. To recapitulate, they are (i) prior indebtedness of the cultivator, (ii) want of prompt and adequate finance at the proper time

for cultivation and other purposes, (iii) absence of good roads connecting the villages with markets, (iv) lack of storage facilities, and (v) a variety of malpractices in the markets. On account of sales in a glutted market there is an all-round depression in prices immediately after the harvest to the extent of 19 per cent in the case of wheat and 25 per cent in the case of linseed as mentioned in the survey reports on the Marketing of wheat and Linseed (A.M.A. series). This is a serious factor from the growers' point of view.

Existence of too many Middlemen

The fact that agriculturists sell a substantial portion of their surplus produce in the village leads to an intervention of a number of middlemen between the producer and the consumer and naturally the share of the consumer's price received by a grower is reduced. The marketing surveys of the Central Agricultural Marketing Department of the Government of India have disclosed that in the case of wheat a cultivator receives only Re. 0-9-3 out of each rupee paid by the consumer. In Vol. I of this book it has also been shown what portion of the price paid by the consumer a producer of agricultural products normally gets.

Multiplicity of Market Charges

As the Mandis are not subjected to any statutory control the cultivator has to pay the various market charges long established by custom which vary from market to market and which are not clearly defined or specified. The Report on the Marketing of wheat in India says : "All the octroi duties, terminal taxes, tolls, market charges and charities paid on the wheat between the cultivator and the customer are inevitably forced back on to the cultivator who is compelled to pay for the upkeep of municipal roads, and other amenities of the town through octroi and similar other duties". He also pays by way of charities in many cases for educating the urban children and for maintaining other charitable institutions from which he himself derives no direct benefit. He pays everybody's interest and carries all the risks of marketing by way of reduced price for his produce.

Malpractices in the Market

It has already been mentioned that in most of the mandis there are no committees of panchayats having a representative of producers on them. Most of the markets are either owned or controlled by either municipalities or local boards and continue to be entirely unregulated. When disputes arise there is no effective machinery to decide them in an impartial manner. In such markets, therefore, malpractices tend to be common. These are briefly listed below :—

- (i) In the absence of standardization of weights and measures and an independent agency to weigh or measure weightment is manipulated against the producer-seller.
- (ii) Large samples are taken for which no payment is made.
- (iii) Sales are often made under the cover of cloth by the broker acting on behalf of both the buyer and the seller. This leads to the exploitation of the seller who does not know the course of prices offered by different buyers.
- (iv) The commission agent in a market though employed by the seller is more inclined towards the buyer whom he meets daily than the seller and favours him at the expense of the seller though he is acting on behalf of the seller.
- (v) If any dispute arises as to the quality of goods middlemen operating in the market who buy the produce always win.

Sale of Ungraded Products

The advantages of standardizing and grading of agricultural products have already been set forth in Vol. I of this book. Even for commodities like wheat and rice there are no standard grades accepted by the whole trade as the basis for commercial transactions. The system of sales on 'Dara' basis is still common and grading of agricultural products meant for export to foreign markets is essential if the reputation of Indian products is to be kept up (in foreign markets). The practice of selling ungraded products it is needless to say has adversely affected the reputation of Indian produce in world markets.

Mixing and Adulteration

No attention is paid by the agriculturist to improve the quality of his products before they are put on the market. Not only that but deliberate adulteration is sometimes resorted to by producers and more often by middlemen. This is so because high non-mutual tolerance limits serve as an incentive for adulteration. That is to say a producer-seller offering cleaner produce which has got only 1 to 2 per cent impurities receives the same price as a producer-seller offering products containing 5 per cent impurities. Naturally the seller is induced to adulterate the product to the maximum extent permitted in the market. To take an instance, the free tolerance limit in the case of barley content in wheat at one time in the Amritsar market was as high as 6 per cent. In Amritsar and the surrounding districts the proportion of barley in wheat progressively increased on its journey from the threshing floor to the market. On the threshing floor the barley content was on an average 1.8 per cent. It went up to 2.6 per cent when wheat was on its way to the neighbouring market. The proportion still further increased to 4.0 per cent when it reached Amritsar. So says the report on the marketing of Linseed in India, "It is a sad commentary on our marketing methods that many people firmly believe that dirt and dishonesty are paying propositions. It is still more unfortunate that as the matter stands at present so many of these people are right". If commodities are properly prepared for the market it is obvious that the cost of marketing can be reduced and the price received raised. But no attention is paid to this aspect of marketing with the result, that, the produce has to be cleaned at every stage. Besides, freight has to be paid not only for transporting the products but also on the dirt and the foreign matter mixed up with it. The consequences are serious for the producer. For, adulteration in lowering the quality of the produce brings down the price of the produce as well as on the whole, and even growers of superior varieties are as a consequence unable to obtain better prices for their products.

Absence of Market Intelligence

There is absence of market intelligence as to prices. An efficient system of marketing implies a regular supply of accurate in-

formation regarding the prices ruling in a market from time to time to the producer. Producers are thereby enabled to sell in the best market, taking into consideration the varying costs of transport to different markets accessible to them. At present there is no reliable channel of communication of prices to producers who remain in isolation in remote rural parts. They have practically no contact with the outside world nor are they in touch with the trend of market prices. Cultivators in a village normally get the information as regards prices from the local trader who is not at all interested in supplying them the correct information as to prices obtaining in the wholesale market. It has already been pointed out earlier that even in cases where information as to prices is available prices are not comparable on account of the lack of standard grades acceptable to the whole country, variation in the amounts of refraction allowed and the terms of the standard contract obtaining in different markets, inaccuracy of information supplied by the various agencies concerned, variations in the price quotations given by the local and the Central Governments and the considerable variations in weights and measures used in several markets,—in the absence of standardization of weights and measures.

Absence of Licensed Warehouses in the Country

There is a general dearth of storage facilities both in rural and urban areas. The adverse effect of lack of proper storage facilities on scientific lines have already been referred to elsewhere. Forced sales in the village are often due to a want of staying power on the part of a farmer consequent on the absence of storage arrangements in a village. Even in the case of producer-sellers who take their produce to the wholesale markets they are put to a good deal of inconvenience for want of independent warehouses run by or under the superintendence of a public authority in which they can store their goods if they find that the prices at any given time are unfavourable. The absence of warehouse facilities is a factor that makes marketing finance dearer to the agriculturist producer. Co-operative or joint-stock banks can make advances at a cheaper rate of interest against the security of warehouse receipts if public warehouses are estab-

lished in the country, so that in case of need producers can wait for some time for a better market.

Lack of Transport Facilities

The shortcomings of the transport system in this country have already been referred to in Vol. I of the book. No further reiteration is therefore necessary here. As therein mentioned the railways, the roads and the inland waterways have not been developed according to any definite plan with a view to bring about an integrated and co-ordinated transport system. The competition amongst them could very well have been avoided from the very outset.

Lack of Financial Facilities at Cheaper Rates of Interest.

How the system of agricultural finance derived from traders and sowkars as it obtains at present in most parts of the country operates to the disadvantage of the cultivator and how it ultimately leads to his exploitation have already been referred to. The cultivator is financed by the village sowkar-cum-trader who is in his own turn financed by the adatyā and the indigenous banker. In the absence of warehouses and lack of facilities for making advances against the security of warehouse receipts there cannot be any system of cheap finance against security of goods. There is at present no proper link between indigenous bankers with commercial banks and the Reserve Bank of India. The various marketing agencies themselves borrow funds at a high rate of interest. This naturally leads to a rise in the cost of marketing with the ultimate result that the share of the price received by the producer is correspondingly reduced.

Measures for the removal of Defects

The defects that exist at present in the system of marketing of agricultural products can only be removed with the adoption simultaneously of measures such as (1) the establishment of regulated markets, (2) the development of co-operative marketing, (3) standardization of weights and measures, (4) processing, grading, and warehousing facilities and provision of cheaper finance for raising and marketing of crops.

Establishment of regulated market.

Regulation of markets aims at promoting orderly marketing and ultimately at increasing the farmers' returns. That is why several committees and the Planning Commission and conferences of State Ministers for Agriculture and Co-operation have recommended the speedy regulation of markets. In the programme for the development of co-operative marketing as visualised in the Second Five-Year Plan regulated markets have been assigned an important role in achieving all-round improvement in agricultural marketing.

In a subsequent chapter the progress of regulation of markets has been treated at length, and suffice it to say here that though considerable progress has been made in States where the Markets Acts are in operation still a substantial number of markets is to be brought under the regulatory orbit. As regards commodities to be regulated, there is as yet a considerable field to be covered. Much yet remains to be done also in regard to the rationalisation of market practices. Malpractices are also rampant in municipal markets which have so far remained outside the purview of markets acts. It is with a view to accelerating the progress of regulation of markets in the country, the Conference on Marketing and on Co-operation held at Jaipur from 3rd to 5th February, 1956, after reviewing the steps taken by the various State Governments to enact market legislation and to regulate markets thereunder, adopted certain resolutions which have been set forth in the chapter on Regulated Markets.

Development of Co-operative Marketing and Co-operative Processing

The Committee of Direction of the All-India Credit Survey have made useful recommendations in regard to the development of co-operative marketing of agricultural produce and the recommendations are summarized below :—

(A) *Primary Marketing Co-operatives* : (at the primary level)

(1) Primary marketing societies should be established at either important mandis (wholesale markets) or at taluka centres (sometimes the two would coincide) as convenient. Primary marketing

societies (as also co-operative societies for processing and for other important economic activities) should, to start with, be organised only in selected places, i.e. cautiously and with a view to assured success.

(2) It is necessary to ensure by positive State supervision that every marketing society at the primary level is so composed and organized and its affairs so conducted that the medium cultivator certainly, and the smaller cultivator wherever possible, is effectively represented in the organisation and his interests looked after by those in charge of it.

(3) Government should ordinarily make a direct contribution to the share capital of primary marketing societies. There should be a minimum level of share capital as also an optimum one. Government's part of the share capital should commence to be retired once the optimum is reached.

(4) There should be compulsory contributions to share capital from members. These should be related to the turnover of the member's sales through the society or alternatively, to the size of the loan taken by the member (from e.g. a credit society with which the operations of the marketing society or a processing society are co-ordinated).

(5) The State Government should provide the primary marketing society with trained personnel for performing various technical functions.

(6) The main function of a primary marketing society will be to market the produce of its members, but it may take up the functions of processing, pooling and grading.

(7) In areas where certain crops are very important, separate marketing societies may have to be set up crop-wise, instead of region-wise. In other instances, a general marketing society should ordinarily suffice.

(8) At each centre where a marketing society operates, there should be either a larger-sized primary agricultural credit society or a branch of the central co-operative bank, so that credit and marketing may be effectively linked.

(B) *District Marketing Societies* : (at the intermediate level).

(1) District marketing societies may be formed either on a territorial or on a commodity basis according to local conditions.

(2) There should be a minimum and an optimum level of share capital for each district marketing society. The State Government should hold at least 51 per cent of the share capital of such societies. With a view to increasing the share capital to the optimum level and thereafter retiring the State's part of the share capital till it stands at 51 per cent, there should be compulsory contributions from members in the shape, for instance, of compulsory deductions in proportion to the turnover of their sales.

(3) Well-organized district co-operative marketing societies may also operate as societies for processing of agricultural commodities.

(4) Technical staff should be made available to these societies by the State Government.

(C) *State Co-operative Marketing Societies* : (Apex Level)

(1) As soon as the development at the primary and other stages makes this appropriate, state co-operative marketing societies should be set up, or the existing ones reorganised, in the several States.

(2) In new States co-operative marketing societies, no individual should be admitted as a member. As regards existing state co-operative marketing societies, immediate action should be taken to ensure that their managing boards are preponderantly representative of societies and not individual ; : the next step should be the complete elimination of individuals from membership.

(3) The co-ordination of the State Co-operative Marketing Society with the State Co-operative Bank should be as effective as that of the Central Land Mortgage Bank with the State Co-operative Bank, even though such co-ordination has to be less formal.

(4) The main functions of the federal co-operative marketing structure should be the marketing of crops, distribution of cer-

tain basic goods which the cultivator needs as a producer and as a consumer, and certain developmental functions such as the construction of godowns and warehouses.

(5) There should be major state participation in the share capital of marketing societies (as also processing societies, dairying societies, etc.) from the apex to the primary level at not less than 51 per cent and for an indefinite period.

(6) The State Government should provide the services of trained technical personnel to societies connected with marketing, processing and other economic activities. Programmes for the State-wise organisation and development of such societies should be drawn up by the State Governments in conjunction with the National Co-operative Development and Warehousing Board and the training of personnel pursued in the light of such programmes.

(7) In connection with the licensing of plants, factories, and mills (other than at the cottage industry level) engaged in the processing of agricultural commodities or in related activities, Government should, before issuing a licence for a new plant, factory or mill in any particular area, ascertain whether any existing co-operative society, or one likely to be formed, is both willing and in a position to take up the work. In that case, the licence should be issued to the society and not to the private party.

In accordance with the above recommendations co-operative credit and marketing have to be developed simultaneously in order to ensure the economic betterment of the agriculturists. The programme of development of co-operative credit and marketing in the Second Five-Year Plan has been drawn up by the State Governments and it is expected there will be about 1,700 primary marketing societies, in operation by the end of the plan period. The Conference on Marketing and Co-operation held at Jaipur from 3rd to 5th February, 1956 adopted certain resolutions in regard to the development of co-operative marketing and processing which have been mentioned in the chapter on Co-operative Marketing.

Standardization of weights and Measures

In order to enable the producer and the dealer to compare prices in different markets and to enable the former to sell the crops in the most favourable markets and with a view to preventing the exploitation of the cultivator-seller standardization of weights and measures is of great importance accompanied by a rigid enforcement of weights and measures in all the markets by the State Authorities.

The standards of Weight Act, 1939 was brought into force with effect from 18th July, 1942.

Standards of Weight Rules framed under the Act were also notified shortly afterwards. Reference sets of standard weights were prepared by the Mint Master, Bombay and supplied to all State Governments. The present position in relation to standardization of weights and measures would be indicated in a subsequent chapter but suffice it to mention here that though certain States have enacted suitable legislation for standardization of weights and measures in their areas the progress made so far has not been appreciable. Some time ago the question was considered by a sub-committee of the Indian Standards Institution, Delhi, and it recommended the introduction of Metric System of Weights and Measures throughout the country. This change is to be effected during the a period of 15 years. The All-India Marketing Officers' Conference held in 1953 passed the following resolution in this regard : For orderly marketing, standardisation of weights and measures is essential. The Conference, therefore, recommends that :—

(a) The State Governments :—

- (1) Where the requisite legislation has not yet been passed and enforced should take early steps to do so,
- (2) Should extend the operation of their Acts to rural areas,
- (3) Should gradually replace the local maund and seer by the standard maund and seer, and \
- (4) Should entrust the administration of the Weights and Measures Acts to State Marketing Officers.

(b) The Government of India, should pending the final decision on introduction of metric system of weights, restrict the use of avoirdupois system of weights to export trade only and,

- (1) Amend the Indian Weight Act, 1939 so as to restrict the use of avoirdupois system of weights to export trade only and,
- (2) Enact legislation laying down standard measures,
- (3) The Need for popularising standard grades of quality of produce.

The various advantages of standardizing and grading of agricultural products have already been mentioned in a previous chapter and it has also been pointed out as to how this country has been a sufferer by trading in ungraded products in foreign markets. The urgency of this reform in the marketing of agricultural products has been emphasized in the various marketing surveys undertaken by the Union and State Government marketing staffs some years ago. These surveys have further stressed the importance of carrying on, all trade, on the basis of the standardized grades. With this objective in view the Agricultural Produce (Grading or Marking) Act was passed by the Government of India in the year 1937. The Act defines various standards of quality, fixes grade designations so as to throw light on quality and prescribes appropriate trade marks in the case agricultural products mentioned in the schedule. Fruits, vegetables, eggs, tobacco, coffee, cotton, rice, wheat, oilseeds, etc. have been brought within the ambit of the Act. A set of specific grading or marking rules has been evolved and the Agricultural Marketing Adviser to the Government of India now designated as the Director of Agricultural Marketing and Inspection has been empowered to issue certificates, authorising packers, who are willing to prepare and pack their produce on the lines therein laid down. Such certificates are issued to growers or cultivators or the marketing organisations of producers and manufacturers who play an important role in the distribution of specific commodities. The method evolved in this matter by the Directorate of Marketing and Inspection for drawing up suitable grade speci-

fications in the case of important agricultural products is somewhat on the following lines. Samples of important products are obtained from the market and an analysis made of their physical and chemical properties and on the basis of these properties suitable grade specifications are drawn up in consultation with the trading and manufacturing interests and the State Governments. After evolving provisional standards or grades of quality the produce is graded in the various experimental grading stations established at different centres and if the grades prove to be satisfactory the Agricultural Marketing Advisor to the Government of India issues certificates of authorization to persons willing to undertake grading and packing on a commercial basis. To ensure that grading is done properly so as to secure the requisite quality in graded products necessary inspecting staff has been maintained under the Director of Agricultural Marketing and Inspection. They visit grading stations and inspect graded products in the markets and subject them to tests to see if they confirm to standards of quality prescribed by the Central Control Laboratory. Although a beginning has been made in the grading of agricultural products and the work carried on is satisfactory much yet remains to be done and could be done if the organized associations of traders come to an agreement for the purpose of trading on the basis of uniform standards of quality and trade designations.

It may be noted that grading and standardizing forms a part of the scheme for promoting co-operative marketing and warehousing. Pooling would be an important feature of the working of co-operative marketing societies and the individual farmers will have to be paid on the basis of quality as determined by the standards laid down in that behalf. Grading would also facilitate the financing of agricultural produce that will be stored in the warehouses. The success of development of marketing co-operatives and the warehousing programme would greatly depend on the prescription of suitable grade standards for adoption in the primary markets and on the institution of an efficient grading and inspection service. The recent Conference on Co-operation and Marketing held at Jaipur considered that the grading and inspection service for agricultural commodities was an essential adjunct to the development of the co-operative market-

ing, processing and warehousing and made the following recommendations :—

1. The States may prepare a three-year phased programme for organising, grading and inspection service and that financial assistance be given by the Centre for implementing these Schemes.

2. The services of trained graders in warehouses at which-ever centres available may be utilized by the co-operatives as well as the regulated markets.

3. In promoting grading of the agricultural commodities, priority should be given to those which will be warehoused.

4. Raw jute should also be brought under the purview of the Agricultural Produce (Grading and Marking) Act of 1937, and grade standards therefor laid down.

5. Steps be taken by the State Governments for training the staff required for grading work and that the Central Government should provide facilities for such training in the regional laboratories that are being set up during the Second Five Year Plan by the Directorate of Marketing and Inspection. The State Governments may also explore utilising agricultural schools and colleges for imparting such training.

Transport Facilities

Enough has been said to show how transport occupies an important place in the development of agricultural marketing in Vol. I of this book. Transport bottlenecks have been found to be the cause of wide price variations from place to place. From this point of view also the transport problem should receive adequate attention in the production and marketing programmes of the future. Among the agencies engaged in the transport, railways and roads account for major haulage of agricultural commodities. The existing difficulties in regard to these two agencies require to be studied carefully so that ways and means may be adopted to overcome them. Though motor-trucks have been of late, a serious competitor to railways for long distance hauls there are also inter-State and inter-zonal restriction imposed by many States on the movement of public carriers with the result that

transport by motor-trucks is unduly restricted. In order to facilitate the free movement of agricultural commodities the existing handicaps require to be removed. Another reason for wide price disparities in different places is a shortage of rolling stock coupled with the existing system of priority for the allotment of wagons. For the carriage of agricultural commodities particularly perishables, provision of specially designed wagons is necessary but there is a considerable shortage of the right type of wagons. Among other handicaps may be mentioned the time lag in the movement and handling of special goods and maximum chargeable capacity of wagon loads prescribed for various commodities. Besides there are anomalies in the freight rate also. In the first volume of this book how the banana grower in the East Khandesh District, in the Bombay State is put to great inconvenience owing to increase in freight rates has already been indicated. Similarly vegetables are also charged at a higher rate than fruits though they are cheaper in price as compared to fruits. Such anomalies are required to be removed. With the expansion of the warehousing activities consequent on the development of co-operative marketing the movement of agricultural produce is apt to be increased considerably. To facilitate inter-State trade through co-operatives it is desirable that certain concessions should be granted under the State Public Carriers Act to vehicles plying on behalf of the co-operatives. It is also necessary that the movement of agricultural commodities by rail should receive preferential treatment both in regard to the allotment of wagons and charging of concessional rates. The recent conference on Marketing and Co-operation held at Jaipur adopted the following resolutions in this respect.

1. In order to ensure quick movement of agricultural commodities by rail or sea on behalf of co-operatives, the State Governments should take steps to sponsor such movements and for that purpose authorise the Registrar of Co-operative Societies or any other officer to issue the requisite certificates of eligibility for such priority.

2. In view of the importance and increasing use of road transport for movement of agricultural commodities, the following should be provided by State Governments :—

- (i) Public carrier licences should be given liberally to co-operative societies and particularly marketing societies wanting to have their own transport.
- (ii) Loans may be provided by Government to enable Marketing Societies to purchase motor vehicles for the transport of agricultural produce. The State Government may also arrange for purchase of these vehicles on Rate Contract basis.
- (iii) Inter-Zonal restrictions within the same State for movement of such motor transport vehicles should be removed, and there should be free movement within the same State.

Warehousing Facilities

It has already been mentioned how the absence of storage facilities both in village and urban centres and particularly in assembling markets acts as a drag on the agriculturist, in the disposal of his produce at a profit. It has also been pointed out how the unsuitability of the present method of storage reacts adversely on the waiting capacity of the agriculturists and compels him to sell his produce in a glutted market and how he is unable to get cheaper finance against the pledge of his produce. Establishment of independent warehouses for the purpose of undertaking the storage of produce by or under the supervision public authorities for a small commission has been a long felt want in this country. It is with a view to removing the storage bottlenecks the Committee of Direction of the All India Rural Credit Survey has made far-reaching recommendations which have been mentioned in a subsequent chapter. A bill to provide for the incorporation, regulation and winding up of corporations for the purpose of the development and warehousing of agricultural produce on co-operative principles and for matters connected therewith is at present on the legislative anvil* and with its passage into law a unique experiment in co-operative development on a scale not attempted before would be launched in this country. The National Co-operative Development and Warehousing Board that will come into existence would be the

* The Law has now been enacted—vide appendix.

apex body of a pyramid of co-operative agencies for credit, warehousing of grain, processing and marketing. The Board will have under it an All-India Warehousing Corporation and State Warehousing Companies. With the establishment of a chain of warehouses, the farmer would be enabled to store his grain and be in a position to obtain financial accommodation from the banking system against the security of warehouse receipts. The availability of cheap credit would enable him to hold back his produce for a while from immediate sale so as to get better price later. As the Marketing Co-operatives would undertake the sale of produce by eliminating the middlemen the farmer would stand to reap additional benefit. In implementation of the recommendations of the Committee of Direction of the All-India Rural Credit Survey the contemplated programme for warehousing construction is estimated to cost about Rs. 20 to 25 crores in the Second Five-Year Plan. As a result storage capacity to the extent of 2 to 2.5 million tons is likely to be made available. It is expected that the Central Warehousing Corporation will establish 100 warehouses each having storage accommodation of 10,000 to 20,000 tons or more. The Ministry of Food and Agriculture expects that the Central Warehousing Corporation would operate in about 100 centres while the State Warehousing Companies would operate warehouses in at least 250 important trading centres. It is obvious that the warehousing programme would depend upon the evolution of proper grades and standards for all important crops and the provision of suitable staff adequately trained in proper classification. The type of storage that should be made available in these warehouses would be an important question to be considered because while bulk storage would be less expensive the identity of the grain would be lost and if on the other hand bag storage were to be introduced and separate accommodation provided the storage cost would increase. Further in order to attract customers the warehouse charges will have to be kept at a minimum level and they will have to be fixed at a lower rate for goods that are deposited for longer periods. It is estimated that the programme of construction of warehouses will develop only gradually and it may be necessary to deal with a few important commodities of the list of cereals, or food crops or fibres or crops of commercial importance in the first instance. It is also

apprehended that in the initial stages marketing co-operatives of agriculturist producers may not be able to utilise substantial accommodation as the experience of the Warehousing Legislation in Bombay has shown. Warehouse facilities may, therefore have to be made available to the trade also. The Ministry of Food and Agriculture suggests that in each centre where a warehouse would operate an advisory committee may be appointed and that various interests such as marketing co-operatives, commercial banks, the trade, the regulated market committees, may have a representation on it. The most important questions that arise for consideration in this connection are the arrangements to be made for proper staffing and financing of warehousing schemes. According to the estimate of Food and Agriculture Ministry about 350 warehouses will be established in the country during the Second Five-Year Plan period and these will be classified into five categories as shown below:—

<i>Category</i>	<i>Storage Capacity</i>	<i>No. of Warehouses</i>	<i>Agency establishing it</i>
I	20,000 tons and above	25	Central Warehousing Corporation
*II	Between 10,000 and 20,000 tons	75	-do-
III	Between 5000 and 10,000	100	State Warehousing Corporation
IV	Between 2,000 and 5,000	100	-do-
V	Between 1,000 and 2,000	50	-do-

* These will be established at important trade centres and port towns and terminal markets.

6. *Requirements of Staff*:—The following are the requirements of staff.

For category No. I

- 1 Whole-time Warehouseman
- 1 Whole-time Grader
- 1 Whole-time fumigation Assistant
- 1 Accountant-cum-Cashier.

For category No. II

The functions of an Assistant and a Grader may be combined.

*For categories III, IV & V:—*The warehouseman will have to perform the functions of Grader and Fumigation Assistant. Each warehouse in the opinion of the Ministry of Food and Agriculture will have a separate Accountant and a Cashier.

(b) Arrangements for Finance : Each State Warehousing Corporation will have a paid up share capital ranging from 20 to 50 lakhs. Additional funds required for the construction of warehouses may be raised by floating debentures. Suitable arrangements for the training of technical staff required will have to be undertaken. The recent conference on Marketing and Co-operation held at Jaipur adopted the following resolution in this regard :—

In order that the interests of the rural producer are kept in mind as the main objective in formulating the storage and warehousing programme as a whole, the selection of the centres at which godowns and warehouses are to be established and the actual phasing of the programmes, should be governed by the following principles :—

- (i) There should be sizeable quantities of surplus produce for sale.
- (ii) There should be a need for storage facilities in the locality.
- (iii) The place should be close to a terminal market ; due regard should be paid to the availability of transport facilities, by rail or road or water.
- (iv) There should be a nucleus of co-operative marketing organisations and possibilities of their further expansion in or around the proposed warehousing centres.
- (v) There should be existing or potential banking facilities in order that loans could be advanced against the produce in godowns or on warehouse receipts.

2. In opening new branches, the State Bank of India should take into account the proposed location of warehouses and of marketing societies.

3. Since the object of warehousing is to prevent distress selling and to secure fair prices to the producers, the bulk of the warehousing programme should be undertaken in areas of concentrated production. Some warehouses may, however, be located in centres of export or heavy consumption.

4. The provisional list of warehouse centres already prepared should be re-examined in the light of the above observations, and of other relevant considerations and a revised list should be supplied by the State Governments explaining in each case the reasons for selection of the centre, as well as the relative priority proposed for each.

5. The State Governments should also furnish to the Government of India a list of principal agricultural commodities in each region in respect of which warehousing facilities are considered necessary, keeping in mind the phased programme of the establishment of warehouses and the priorities for the warehousing of these commodities.

6. In order to expedite the construction of new warehouses, proceedings for the acquisition of land should be instituted under the emergency provisions of the Land Acquisition Act and by the appointment of Land Acquisition Officers with the Warehousing Corporations.

7. Wherever acquisition of land for co-operative societies has not been recognized as a public purpose, steps should be taken to accord such recognition.

8. As the godowns and warehouses are being built in the interest of the primary agriculturist producer, he should be helped to derive the benefits of storage and warehousing to the fullest possible extent by offering concessional rates to co-operative societies.

9. With a view to making the warehouses popular and promoting the negotiability of warehouse receipts, there should be a local advisory committee for each warehouse, on which the

interests concerned such as co-operative societies, commercial banks, the trade and the regulated market committees should be given due representation.

10. In anticipation of the National Co-operative Development and Warehousing Bill becoming law shortly, arrangements for setting up of the Central and State Warehousing Corporations, including budget provision for the share capital should be made immediately.

11. The warehouses proposed to be established under the Second Five-Year Plan, may be of the following categories :—

- (i) above 20,000 tons capacity,
- (ii) between 10,000 and 20,000 tons,
- (iii) between 5,000 and 10,000 tons,
- (iv) between 2,000 and 5,000 tons,
- (v) between 1,000 and 2,000 tons.

The warehouses in the first two categories may be established by the Central Warehousing Corporation and the others by the State Warehousing Corporations.

Dissemination of market Information.

The producers who sell their produce in the villages and the nearby assembling markets are generally ignorant about the day-to-day variations in prices. Lack of speedy dissemination of daily market information has been to some extent responsible for the disparities in prices of the same commodity ruling in different markets. If the price variations in space are to be narrowed down the market intelligence service should provide up-to-date and complete information not only for terminal and consuming markets but also for the number of assembling markets or centres where the produce of the agriculturist is converted into cash. The objects of the market information service would be to keep the producers well informed of the market trends and prices, to strengthen their bargaining position and to promote the development of orderly marketing by achieving effective distribution and fair pricing of farm products. To fulfil these objectives, the market news service should provide

all sectors of industry from the primary producer to the retailer with country-wide information in regard to supplies movements, distribution, demand and other factors that influence the prices of the farm products as promptly as possible. Among the important media of market information existing at present may be mentioned the private arrangements of traders, the news papers, the Government publications, the regulated markets, and the radio. Big traders make their own private arrangements to get market information and on the whole they are better informed of the trend of prices, stocks, and their carry over etc. The exporting agencies and the big buyers also get the requisite information through their own agents posted at numerous places all over the country. The smaller traders and the individual farmer are too poor to provide themselves with the necessary market information possessed by the big traders or buyers, who are in consequence in a better bargaining position. Usually the leading news papers report the price trends etc. of certain important commodities of commercial importance in only a few terminal or important markets but they do not concern themselves with giving information in regard to commodities like fruits, vegetables and live-stock which are marketed throughout the year. Generally, the papers restrict their information and report only on the daily price quotations and the information in regard to arrivals, despatches and carry over of the existing stocks is not published excepting some periodical review. As regards Government publications it may be stated that the bulletins and reviews issued by the State and Central Governments contain information, but it would be more than a week old by the time it reaches the readers. The price bulletins issued by official sources are of limited utility inasmuch as up-to-date information in respect of supply, demand, movement and other price determining factors is not found in them. Regulated markets established in various States do useful work in regard to dissemination of price information by exhibiting the daily prices of their own markets as well as those ruling in the terminal markets. If the price information thus conveyed is to be really useful to the farmers who use these markets, it will be obviously necessary to translate the terminal market prices into local quotations after taking into account the local unit, transport and other merchandizing charges and local demand and supply, position. The services

the regulated markets render at present in this capacity are of limited application because of the general illiteracy of the farmers who make very little use of it and who are unable also to check whether prices offered by the local buyers are at parity with the prices ruling in the terminal markets taking into consideration the factors that go to make up the difference between the two prices. The All India Radio Station is at present broadcasting daily in the rural programme the local prices of some important commodities. It is through the radio that a large number of agriculturists can be contacted, hence there is the need for increasing the number of daily broadcasts, the number of markets reported and the length of time allotted for broadcast.

The Need for establishment of a Central Agency

Although the various agencies of market information are operating at present, the needs of different sectors are not being fully met. While the information is available for terminal markets it is not available for the assembling and distributing centres. The number of markets covered is also not adequate. Further the pattern of agricultural production is fast changing as new areas are being developed. New markets are also coming into existence and old markets which were at one time important for some commodities are disappearing. It may be noted that the marketing of farm products is an inter-State problem and is not restricted within the boundaries of a particular State. To keep the farmers fully and promptly informed of the price trends and other important changes in the market situation organisation of market information service on well defined lines is necessary to be set up and the State and the Central Governments would have to play an important role in providing the common marketing services on an all-India basis through a Central Reporting Agency. A Central Government Agency formed for the purpose would serve the interests of producers better than by a private agency because the official price quotations released by such an official agency would be of great use to the marketing co-operatives and warehouses as the latter would need current information for their daily business i.e. for the evaluation of the produce deposited with them. Such a Central agency if established would provide country-wide information in regard to price

movements, marketable surpluses, stock sold in different markets and would thus indirectly aid the Central Government in the formulation of its policies relating to price stabilisation. In view of the important place which the market information service occupies in the development of orderly marketing and pricing of agricultural commodities, it is understood that the Government of India propose to set up an All-India Market News Service in collaboration with the State Governments during the Second Five-Year Plan. The outline of the scheme is reported to be as under :—

For purpose of market news work it is proposed to have four regions viz.

- (1) Northern—comprising Punjab, Pepsu, Himachal Pradesh, Delhi, Rajasthan, Madhya Bharat and Western U.P. with the regional office located at Delhi.
- (2) Eastern—comprising Assam, Bengal, Bihar, Orissa and Eastern U.P. with the regional office located at Calcutta.
- (3) Western—comprising Bombay, Saurashtra, Madhya Pradesh and Hyderabad with the regional office located at Bombay.
- (4) Southern—comprising Madras, Andhra, Mysore and Travancore-Cochin with the regional office located at Madras.

In each region to begin with, it is proposed to have 8 to 10 field offices which would collect information from 5 or 6 primary assembling centres, preferably regulated markets. It is proposed to set up 40 field offices during the period of the Second Five-Year Plan in various States, four regional offices and a Central Office. The field offices located in the States would be run by the State Governments with the assistance from the Centre on a fifty-fifty basis. The regional offices would collect information from the terminal and central markets in which they would be located and supply the same to all the field offices in the region. The field office would issue a local report for the sub-region in-

corporating in it the information received from the terminal market. The regional offices would issue a consolidated daily report for their region and disseminate it through the radio, press and mimeographed reports. The Central office which would be located at Delhi would issue national periodical reviews for different commodities. It is proposed to cover in the first instance only important commodities falling under different groups viz. food grains, fibres, oilseeds, pulses, fruits and vegetables, live-stock and its products. The organisation would gradually be expanded to cover more markets and more commodities. The total estimated cost for the scheme during five years has been understood to come to about 30 lakhs. The means of communication for collection and dissemination of market information would be the post, telegraph, the telephone and radio stations. For dissemination of market news among the farmers the regulated markets, the village panchayats and village level workers will be pressed into service. The recent conference on Marketing and Co-operation held at Jaipur passed the following resolution in this respect.

In view of the importance of Market News Service as an aid towards planned production and promotion of orderly marketing, the Market News Service Scheme should be implemented quickly and the entire country should be covered within three years. To implement the Scheme, and to work on the scheduled programme, the State Governments may take early steps to undertake quick surveys of the centres where the Market News Field Offices has to be located, in order to know the requirements of the sub-regions and collect the necessary information.

Personnel Requirement

As already mentioned in paragraph 6 above the development of co-operative marketing, processing and warehousing envisaged in the Second Five-Year Plan would require a large number of technically qualified personnel to work as managers, secretaries of regulated markets, warehousemen, marketing officers, etc. It may be possible to train the personnel required in the regional training centres set up by the Central Committee for Co-operative Training and Education. The estimates of the total

requirements of staff of various States made by the Ministry of Food and Agriculture are understood to be as under :—

1. Warehousemen	Grade I (25) }	100
	Grade II (75) }	
2. Accountants-cum-Cashiers	... ..	850
3. Technical Assistants	... ..	25
4. Graders	... ..	25
5. Warehousemen-cum-Technical Assistants and Graders		250
6. Technical Assistants-cum-Graders	... ..	75
		<hr/> 825 <hr/>

It may be necessary to provide a separate training course for the Warehousemen, Technical Assistants and Analysers as the technical problems of grading, classifying of various commodities and their storage will have to be given special attention. Similarly separate classes necessary for training Accountant-cum-Cashiers along with the Intermediate personnel in the regional training centres will have to be started. A scheme for the training in Agricultural Marketing has it is understood, been included in the Second Five Year Plan with a view to give training to the candidates in all aspects of marketing both theoretical and practical.

CHAPTER VIII

Section I

IMPORTANT RECOMMENDATIONS OF THE MARKETING SUB-COMMITTEE OF THE POLICY COMMITTEE ON AGRICULTURE, FORESTRY AND FISHERIES OF THE RECONSTRUCTION COMMITTEE OF COUNCIL (Vijaya Raghavachaariyars' Committee)

Markets and their Regulation

(a) The layout of markets, fairs and mandis should conform to approved plans and provision should be made therein for adequate shelters and sanitary arrangements.

(b) Market charges in Hats, Fairs and Mandis should be placed on a uniform and reasonable basis and should be controlled and checked by the appropriate Government Department. Charges for charitable and religious Institutions, not connected with marketing, should be prohibited by law.

(c) Regulated Market Acts, and Rules framed thereunder, should be strictly enforced in respect of all important commodities and the sale and purchase of agricultural produce in a notified market area, insisted upon to take place within the market yard; Market Committees set up under the Acts should have adequate representation of producers thereon.

(d) Food Adulteration Laws should be enforced in all Markets and Fairs and Inspectors should be appointed by Provinces and States to ensure that the Provisions under Regulated Markets and Food Adulteration Acts are properly enforced.

(e) Regulated Markets should be established in all Provinces and States and the Marketing Departments should be closely associated with the administration of the markets.

Communications and Transport

(a) The maintenance of all village roads in a condition easily negotiable to cart traffic should receive a high priority in the road plans of all Provincial and State Governments. All village roads should be metalled at an early date.

(b) Every village should be connected at least to one mandi by a Pukka Road.

(c) Government should subsidize the use of pneumatic tyre carts in the initial stages. Experiments on the use of lighter duty tyres in place of the expensive heavy duty motor tyres now in use should be conducted.

(d) All public carriers should be required to provide covered accommodation for goods both in transit and while awaiting transport at focal points.

(e) Experiments designed to work out the commercial possibilities of cold storage transport should be undertaken in the case of Railways as well as of Road transport.

Finance of Agricultural Marketing

(a) Multi-purpose Co-operative Societies should be organized in villages where Credit Co-operatives cannot operate and these Societies should advance loans to cultivators on the security of the produce and arrange for its sale.

(b) The open auction system should be adopted universally in the assembling markets.

(c) Shroffs should be brought into direct relations with the Reserve Bank of India and thereby provided with rediscount facilities.

Co-operative Marketing

(a) Co-operative Societies should be formed by compulsory Legislation in cases where a majority of not less than 60 per cent of the producers in a village agree to join as members of a Society. A chain of such Societies should be affiliated to a marketing union at an important trade centre. The Unions

should be grouped into Regional Federations on which should be super-imposed a provincial Marketing Organisation co-ordinating with the Centre.

(b) The Central Agricultural Marketing Department should pay special attention to the introduction of commodity grading by Producers' Societies.

Futures Markets

(a) Exchanges for trading in 'futures' in any commodity should be permitted to be established only in such markets where large quantities of the commodities are stocked or handled for the greater part of the year. Government should take powers to fix floor prices for agricultural commodities and apply them to operations in 'futures' exchanges.

(b) Trading in 'futures' should be controlled by Central Legislation prohibiting options dealings and Bucket shops and providing for licensing for exchanges and for controlling the activities by requiring the members to pay deposits, to record the transactions on stamped papers, etc.

Market Statistics and News Service

(a) Data regarding prices and stocks in the assembling markets should be collected by Marketing Inspectors who should maintain close touch with trade organisations and forward the data collected to the Central and Provincial Marketing Departments.

(b) Fullest use should be made of the local language, the Press, the Radio and the post office for prompt dissemination of market news.

(c) There should be close co-operation between the department collecting agricultural statistics and the Central Agricultural Marketing Department on whom the responsibility of dissemination of statistics of production and prices should devolve.

Weights and Measures

(a) The basis of all transactions in agricultural produce should be that of standard weights and not that of dry measures.

(b) Marketing Officers should be entrusted with the enforcement of Weights and Measures Acts.

Maintenance of Standards of Purity and Quality

(a) The scheme adopted in the U.P. for providing Government Chemists at the premises of authorized Ghee packers is commended for adoption in other provinces both for ghee and edible oils.

(b) The Machinery of Agmark should be linked up with the Indian Standards Institution without the identity of the Agmark being changed.

(c) The Central and Provincial Governments should enforce standard contract terms for heavy staple commodities by enacting a standardization of Contracts Act.

(d) An arbitration Board should be constituted for purposes of settling disputes between packers of Agmark products and their clients. The results of analysis declared by the Central Control Laboratory should be taken as binding on the parties to a dispute.

Establishment of Warehouses

(a) A comprehensive Survey of the existing storage facilities in market and transit points should be undertaken and plans for warehouses development should then be made to meet the demands in full.

(b) The construction of cheap concrete bins for domestic storage should be demonstrated in rural areas and Grains Elevators should be introduced on a large-scale in all terminal and important secondary markets.

Training of Marketing Officers

(a) All grades of staff employed on 'Agricultural Marketing' should be specially trained and officers of the Marketing Departments should be deputed to study marketing practices and methods in foreign countries.

(b) The training of candidates in sufficient numbers for marketing work should be undertaken both by the Central and the provincial and State Governments.

Organisation and Functions of the Central Agricultural Marketing Department.

(a) Each province should have an independent marketing department responsible for dealing with agricultural products.

(b) The duties of the Central and Provincial Marketing Departments should be allocated as indicated in the body of the Report. The Central Agricultural Marketing Department should comprise six main divisions dealing with policy and administration, training, survey and statistical work, marketing intelligence, quality control and Agmark laboratory and research. It should be made permanent. Co-ordination of work between Centre, Provinces and other Agencies and the setting up of an Indian Agricultural Marketing Board, should be speeded up.

An Indian Agricultural Marketing Board should be set up under the chairmanship of the Hon'ble Member for Agriculture to formulate and co-ordinate policy. Similar Boards should be set up in Provinces and States.

II—We now come to the recommendations made by the Committee of Direction of the All-India, Rural Credit Survey in regard to warehousing. The Committee has recommended the establishment of the National Co-operative Warehousing Development Board and the All-India Warehousing Corporation by statute. The same statute should provide for the formation of State Warehousing Companies. It is further recommended that the National Co-operative Development and Warehousing Board should be constituted with the Minister of Food and Agriculture as Chairman, the Secretary of the Ministry of Food and Agriculture as Vice-Chairman and twelve other members, viz. a representative each of the Planning Commission, the Finance Ministry (Department of Economic Affairs), the Railway Board, the Reserve Bank of India and the State Bank of India; the Consulting Engineer (Road Development) to the Government of India, Ministry of Transport; the Chairman, Forward Markets Commission; one economist; two co-operators; and two other non-officials.

The Board should have a Standing Committee which should meet fairly often for formulating subsidiary policies, for taking

executive and financial decisions and for reviewing and supervising the carrying out of policies and plans. The Standing Committee should consist of the Secretary of the Ministry of Food and Agriculture (Chairman), the representative of the Reserve Bank, and two other members. In order to enable the Secretary of the Ministry of Food and Agriculture to devote adequate attention to the work, he should be given relief from his normal duties by the appointment under him of an Additional Secretary to look to the normal work of the Ministry.

The more important functions and objects of the National Co-operative Development and Warehousing Board will be to promote the planned development, throughout the country, of the co-operative processing and marketing of agricultural commodities (including commodities ancillary to agriculture or otherwise of importance to the rural economy) and of facilities for the storage and warehousing of such commodities ; to promote the planned development, throughout the country, of agricultural production on a co-operative basis and of the co-operative organization of the prerequisites, facilities and processes of agricultural production as well as of non-agricultural production, whether ancillary to agriculture or otherwise of importance to rural economy and to promote, on a country-wide scale, the distribution to the cultivator, as far as possible on a co-operative basis, of his basic requirements as producer and consumer.

It is also mentioned in the report that in pursuance of the other objects, it should give financial aid and accommodation as well as other forms of assistance, to such extent and on such conditions as may be feasible and desirable, to State Governments and through them to co-operative organizations ; give general directions to the All-India Warehousing Corporation and to attach conditions to any loan or subsidy or other assistance given to the All-India Warehousing Corporation and State Warehousing Companies ; and administer the National Co-operative development Fund and the National Warehousing Development Fund and, at its discretion, make appropriations between the two Funds. An important feature of the scheme is the provision for subsidies, wherever needed, by the National Co-operative Development and Warehousing Board to the All-India Warehousing Corporation and the other auxiliaries including the co-operative

societies in order that godowns and warehouses may be built and run on business lines.

The Committee has further recommended that for the discharge of such of its functions as relate to co-operative development, the Board should collaborate in an advisory capacity with the State Governments and for the discharge of its functions relating to warehousing, the Board should act through the All-India Warehousing Corporation. In regard to its functions of distribution, e.g., of fertilizers, agricultural implements, kerosene etc., the Board should co-ordinate the activities of the All-India Warehousing Corporation and the State Warehousing Companies which would themselves act as Agents of the Government of India, State Governments, etc.

There would be two Funds : (a) the National Co-operative Development Fund and (b) the National Warehousing Development Fund. The Government of India should make an initial non-recurring contribution of Rs. 5 crores to the National Warehousing Development Fund. It should also make a recurring contribution of not less than Rs. 5 crores every year for the two Funds together ; out of this, Rs. 3 crores should be allotted to the National Co-operative Development Fund and Rs. 2 crores to the National Warehousing Development Fund unless, for any particular year, a different allotment is suggested by the Board which should be consulted before each allotment. The Board, as mentioned before, will be at liberty to make appropriations between the two Funds. These arrangements should be reviewed after five years. Other sources for the Funds will be ad hoc grants from the Government of India and foreign assistance. The latter would be particularly appropriate for the warehousing part of the programme.

The National Co-operative Development Fund may be utilized for making long-term loans to State Governments to enable them to subscribe to the share capital of co-operative societies when undertaking activities (especially processing and marketing) which fall within the purview of the objects of the Fund and for giving non-recurring or recurring subsidies to State Governments or, through them, to co-operative societies for similar objects. As a rule, subsidies or loans to State Governments should be con-

ditional upon a certain percentage of the total expenditure or outlay being met by the State Government itself. The proportion to be so met should ordinarily be not less than 25 per cent : but there may be different gradations for different State Governments according to their financial strength and resources.

The National Warehousing Development Fund may be utilized for subscribing to the share capital of the All-India Warehousing Corporation ; making loans to a State Government to enable it to subscribe to the share capital of the State Warehousing Company pertaining to its State ; making loans to the All-India Warehousing Corporation and (through it or otherwise) to a State Warehousing Company ; making loans to State Governments and through them to co-operative societies ; and giving non-recurring or recurring subsidies to the same bodies and through the same channels as mentioned above.

The Credit Survey Committee further adds that as a rule, there should be no compulsory acquisition of processing plants, etc., but an important exception would have to be made where members of a co-operative society or persons prepared to form themselves into one (the membership, composition, etc., being such as to satisfy criteria prescribed by the Board) offer to subscribe not less than 30 per cent of the share capital. In such an event, and provided the State Government is satisfied that acquisition is in conformity with public interest, it may, after notification, compulsorily acquire the concern. State Governments should also take steps to license all plants, factories and mills (other than at the cottage industry level) which are engaged in the processing of agricultural commodities or in related activities and meanwhile promote, as soon as possible, such legislation as may be necessary for the purpose.

All-India Warehousing Corporation

(a) Share Capital : According to the recommendations of the Credit Survey Committee, the All-India Warehousing Corporation should have an authorized share capital of Rs. 20 crores.

(b) Dividend : Not less than 40 per cent of the paid-up share capital (i.e., not less than Rs. 4 crores) should be subscribed by the National Co-operative Development and Ware-

housing Board, out of the initial non-recurring contribution of Rs. 5 crores by the Government of India. (The remaining Rs. 1 crore will enable it to commence giving loans and subsidies immediately). As regards the balance of paid-up share capital, (a) not less than 10 per cent (of the total paid-up share capital) should be allotted to the State Bank of India, (b) not more than 15 per cent to other commercial banks, (c) not more than 20 per cent to insurance companies, investment trusts, etc., (d) not more than 10 per cent to joint-stock companies dealing in agricultural commodities and (e) not more than 5 per cent to organized forward markets such as the East India Cotton Association Ltd.

(c) **Debentures :** A minimum dividend should be guaranteed on the share capital of the Corporation by the Government of India on broadly the same lines as for the Industrial Finance Corporation. Debentures issued by the Corporation should be guaranteed by the Government of India as to both principal and interest. There should also be other appropriate provisions analogous to those pertaining to the Industrial Finance Corporation.

(d) **Constitution of the Board of Management :** The members of the Standing Committee of the National Co-operative Development and Warehousing Board should be ex-officio members of the Board of the All-India Warehousing Corporation. The Secretary of the Ministry of Food and Agriculture would be the ex-officio Chairman of the Board. There should be 7 more members of the Board, 3 from the National Co-operative Development and Warehousing Board, viz., the representatives of the Railway Board and of the State Bank of India and the Consulting Engineer (Road Development) to the Government of India, Ministry of Transport. The remaining four would consist of one representative each of (i) the other commercial banks, (ii) insurance companies, (iii) joint-stock companies and forward markets and (iv) a Managing Director who should be appointed by the National Co-operative Development and Warehousing Board in consultation with the Board of the All-India Warehousing Corporation.

(e) Objects and Functions of the All-India Warehousing Corporation : Subject to the general directions and in conformity with the plans and policies of the N.C.D. & W Board, the functions of the Corporation would be :—

(1) to acquire and build godowns and warehouses at places of all-India importance ;

(2) to run licensed warehouses and train the necessary cadres and staff for this purpose ;

(3) to manage regulated markets at centres to which its activities have extended ;

(4) to subscribe to the share capital of State Warehousing Companies ;

(5) to act as the agent of the National Co-operative Development and warehousing Board ;

(6) to take up the work of 'distribution' as the agent of the Government of India or of the State Governments ; and

(7) to issue debentures.

It may be noted that the Credit Survey Committee does not favour compulsory acquisition of godowns and warehouses on behalf of the Corporation and if a godown or a warehouse is situated in a regulated market or any other place, the acquisition is recommended to be compulsory on payment of compensation. The same process is recommended to be applied also to State Warehousing Companies and co-operative societies. The Committee recommends to the State Governments to promote the establishment of regulated markets on a more extensive scale than in the past, and to pass the necessary legislation in cases of States where such legislation has not been passed.

Regulated Markets

At all the centres to which either the All-India Warehousing Corporation or a State Warehousing Company has extended its operation, the management of regulated markets should be statutorily entrusted to that institution. A Local Advisory Committee may be appointed to assist the officer of the institution at such

place, but if the regulated market continues to be managed as at present, that is to say, by a market committee under the existing law, provision should be made for the nomination on the committee of one or two representatives of the Co-operative Marketing and Banking institutions, if any, of the locality. These representatives should be similarly on the Advisory Committee wherever the regulated market has been taken over by the All-India Warehousing Corporation or the State Warehousing Company.

State Warehousing Companies

(a) Share Capital : The authorized share capital of a State Warehousing Company should normally be Rs. 2 crores and the issued and paid-up share capital, Rs. 50 lakhs.

Not less than 50 per cent of the share capital of a State Warehousing Company should be subscribed by the All-India Warehousing Corporation on condition that the rest is subscribed by the State Government. There should be no other contribution to the share capital of the State Warehousing Company. The statute governing the National Co-operative Development and Warehousing Board and the All-India Warehousing Corporation should also provide for the establishment of a State Warehousing Company in any particular State as soon as the State Government agrees to pay the stipulated part of the share capital of the Company.

(b) Constitution : The Board of a State Warehousing Company should consist of eleven members including the Chairman and the Managing Director. The Chairman should be nominated by the All-India Warehousing Corporation. The Managing Director should be appointed by the All-India Warehousing Corporation in consultation with the Board of the State Warehousing Company.

(c) Functions : The main functions of a State Warehousing Company include the acquiring and building of godowns at places other than those earmarked for the All-India Warehousing Corporation ; running of licensed warehouses ; doing 'distribution' work ; and subscribing to the share capital of co-operative

societies concerned with storage or warehousing as their primary function or as one of their primary functions.

Co-operative Organizations :

While a State Warehousing Company would ordinarily aim at having its own godowns and warehouses up to the district and sub-divisional levels, co-operative warehouses should be established in the smaller towns and the taluka headquarters and at other important marketing centres in the semi-urban and rural areas. This programme can then be linked to the bigger villages by encouraging co-operatives in such villages to build godowns, seed-stores, etc., in exercise of their multi-purpose functions.

Where a State Warehousing Company has contributed to the share capital of a co-operative society, it will be open to the society to retire the share capital of the Company according to a phased programme of replacement. This principle, however, should not apply to societies in charge of godowns or warehouses at and above the sub-divisional and district levels where the Company should continue to hold not less than 51 per cent of the share capital of the Society.

General Recommendations

The Credit Survey Committee has further recommended that as a first step, such of the godowns belonging to the departments of civil supplies as may be found suitable for the purpose, should be taken over from Government or from their other owners by the National Co-operative Development and Warehousing Board ; a co-ordinated plan should be worked out into which these may be fitted. The staff employed by the departments of civil supplies of different States may also be utilized, wherever possible, by the All-India Warehousing Corporation, State Warehousing Companies, etc.

As regards other recommendations made by the Committee they have been already referred to at appropriate places.

CHAPTER IX

CO-OPERATIVE MARKETING.

Why Co-operative Marketing ?

The main supply of food which we eat comes from farming and the system of distribution under which it is brought to the consumer. A good system of marketing must have two objectives in view : one to assure to the farmer a proper return for his labour to enable him to stay in his occupation ; that is to say the reward offered must be adequate enough to provide the necessary incentive for improving both the quality and the quantity of his produce, and the other to assure the consumer that he pays no more than a fair price for the produce he buys. The agriculturist-producer in most of the undeveloped and under-developed countries of the world is generally a poor man. To fight his poverty two things are necessary. He must either improve his output both quantitatively and qualitatively, or he must be enabled to get a larger share of the final price, paid by the consumer. He stands to get at present a smaller share than he deserves, because the distributive system of which he is the victim operates more to the advantage of the intermediate agencies, viz., the middlemen, the financiers or manufacturers or millers. In India, the agriculturist is a very small producer, having a small quantity of marketable surplus, and the bulk of his produce is sold in the village—a fact that gives rise to a host of unnecessary middlemen between him and the final user of his products and complicates the marketing problem with the resultant increase in the cost of marketing. This situation can only be remedied if the farmers sell their output collectively through their own marketing co-operative, instead of selling individually in the private markets. A co-operative association of producers is an attempt at self-help to overcome the difficulties arising out of the smallness of operations and to undertake one or more functions performed by the middlemen and other servicing agencies. Apart from the consideration of other non-material benefits, “the purpose of a farmer’s selling organisa-

tion is usually found to relate directly or indirectly to some price advantage in the sale of products for its farmer-members ; such price advantage may result from obtaining higher prices than have hitherto been paid, from stabilising prices, from the absorption of profits formerly going to middlemen, or from reduction of expenses by means of improved merchandizing methods ; too often contact of the producer with the market through the medium of his association has led to improvements or changes in the products or in their preparation for the market which have increased their sales value. Co-operation is a weapon to bring about the correction of many of the abuses of the private marketing system, and in this sense the benefits of co-operation are given to all farmers, whether or not they become members of co-operatives ”.

The Aim of Marketing Co-operatives

In the words of Miss Margaret Digby and Gretton, “ the aim of every marketing co-operative is to sell the members’ product directly in the best market and in a state which attracts the best price. It gives the same service to large growers and small : it helps the member to produce the best products and those most in demand. It gives fair weight. It grades in such a way that the best price is obtained for all qualities, to the advantage of the grower. It aims at handling the crop cleanly, without damage or waste, in a way that will increase, not decrease, its value. It stands for fair trading practices and uses its influence against rings and the manipulation of prices. By advances on fair terms it helps the member to finance himself while he is waiting for his crop to ripen. It does what it can do even out the difference between good and bad years. It divides any surplus among all members in proportion to the contribution they have made to the business of the co-operative. It gives farmers a better understanding of all stages in the marketing process.

“ What a co-operative *cannot* do is to ensure that the world price of any commodity is always high or even always steady. Crop failures and gluts, the import and export policies of governments, are all beyond its control, and the consumer always has the last word.

“What a co-operative *can* do is to control the expense of marketing agricultural produce in a manner that both the farmer and the ultimate purchaser feel to be satisfactory”.

The Need for making Preliminary Enquiries before organizing a Marketing Co-operative

It may be noted that modern marketing is a complicated process and a small farmer can have little or no influence except on one or two links in the chain. Nor do the marketing and its problems always remain the same. The habits and tastes of consumers are constantly changing and new crops or new methods of cultivation are being introduced. It is no use producing products or growing crops if no one is prepared to buy them. On the other hand, many natural products have their synthetic competitors. All these factors not only make marketing complicated but sometimes difficult too. Co-operative marketing is by no means easy or foolproof. In countries like Denmark and U.S.A. marketing co-operatives have no doubt made considerable strides and achieved remarkable results, as already referred to in Volume I of this book. But in other parts of the world, the success of co-operative marketing is not so significant, as it is not well understood. And the record of failures, therefore, is not less serious. Before undertaking organization of a marketing co-operative, there is always the need to proceed with caution, and it is necessary to study the relevant conditions of the particular area concerned, with special reference to the manner in which the product is marketed in the existing conditions, the marketable surplus available, the channels of distribution thereof and the time taken to reach the consumer, etc. Every precaution requires to be taken in order to ensure maximum chance of success. Thus to start with, marketing societies (as also co-operatives for processing and for other important economic activities) should be organized in selected places, i.e., cautiously and with a view to ensure success. On the next page is given a chart showing the various points on which the preliminary enquiry is needed in regard to the product to be co-operatively handled before an organizer or promoters recommend the formation of a marketing co-operative for its sale. After having carefully studied all the relevant factors that bear upon the success of the proposed society, it is necessary

for them at the outset to make modest beginnings only, and not try to be too ambitious with a view to replacing the whole marketing system at once. It should be remembered that if dependable and efficient service is already present, it would be impossible for an association to improve the marketing method in any way, and there can be then little reason for starting a marketing co-operative. Such a proposition can, however, admit only one exception. Sometimes it would be found that local private agencies are efficient but they are simply a link in a system which requires to be greatly improved and the system may in itself need overhauling. But it is going to be more difficult to replace the efficient local merchants who are accustomed to drive harder bargains than a system which is wasteful or antiquated.

The Essentials of Success of a Co-operative Marketing Society

(i) There should be a definite objective in view. Unless a substantial number of agriculturists in any particular area consider that the existing marketing facilities are inadequate, and require to be improved upon, a co-operative enterprise organized and brought into being due to official pressure or for any other reason is bound to fail.

(ii) There should be a real and distinct need for establishment of a marketing co-operative. In a place where prices paid to cultivators are low in comparison to the price paid by consumers, it is possible to improve the economic position of cultivators by organizing a co-operative sale society. If, however, the existing middlemen perform their functions with a maximum of efficiency and at a minimum cost, it is obvious that a co-operative sale society cannot increase the net return to cultivators by replacing the middlemen. On the contrary, experience has shown, that if the agriculturist is a free agent to dispose of his produce in any place, he likes and at a favourable time, free competition amongst the middlemen is apt to reduce their charges to a reasonable level and in such circumstances a co-operative sale society cannot function with profit.

(iii) The produce sought to be sold co-operatively must be such as to contribute substantially to the income of the agricul-

turist. Unless this is so, cultivators do not take a real interest in the running of the organization meant for the disposal of their produce.

(iv) The commodity principle must be observed. Experience has shown that a co-operative sale society succeeds better, if one commodity or group of related commodities is handled because this ensures harmony amongst members and the unity of their interest. It may be stated in this context that many sale societies dealing in all kinds of produce have been working as successfully as organizations dealing in one commodity only in the Madras and Bombay States.

(v) *Produce for Export*:—Co-operative societies established for the sale of members' produce would be a success only when it is necessary to concentrate that produce for export and sale in a distant market. If the produce is, however, sold in a local market, the advantage to the producer may not be appreciable. "It is significant that co-operative marketing has made the greatest progress in those countries where the bulk of the produce has to pass through the bottleneck of export and where alternative native markets are not available". So far as this suggestion concerned, it may be pointed out that experience of the working of marketing co-operatives in this country has demonstrated that the products handled by a sale organization need not be necessarily those intended for export to foreign markets. Marketing co-operatives dealing in products intended and used for internal consumption in the country are as successful as those handling products for export.

(vi) *Selective Membership*:—Dr. Warbasse, the President of the Co-operative League of the U.S.A., once remarked: "Agricultural Marketing Unions are organizations of farmers to get higher price for their produce. In Denmark these organizations are so successful that they have produced a nation of small capitalists. These farmers' organizations aim to get a monopoly". On these grounds, Dr. Warbasse was reluctant to treat marketing co-operatives as being truly co-operative organizations. Many do not share the opinion expressed by Dr. Warbasse regarding the co-operative character of these institutions. It may be noted that the marketing co-operative is organized in order to market

the produce of its members and not to make profit on capital investments. For this reason it is as truly co-operative as the ordinary organization of consumers, and it is for this reason also that selection of membership is practised restricting it to *bona fide* producers only. If an agriculturist joins a co-operative cotton sale society, he should certainly be a producer of cotton. It is no doubt that a non-producer of cotton may be interested in joining such an institution, yet his joining the society cannot be said to be for mutual self-help in marketing his cotton. Though membership is voluntary, selection on the basis of willingness to enrol is inevitable. To be a good co-operator one has to undertake new responsibilities and duties. When the society embarks on a programme of production and marketing, he must be in a position to carry out the programme without a demur. At times he should also be prepared to sacrifice personal interests for the good of the society as a whole, and be able to work willingly with others. Thus selection of membership in a marketing co-operative becomes a necessity, if it is to succeed. Membership should be not only a privilege but also a responsibility.

(vii) *Loyalty of Members*.—This is very necessary if a co-operative sale society is to succeed. The middlemen are apt to tempt the farmer by offering better terms than what the society does with a view to wrecking the co-operative enterprise even if they are for a time put to loss in the process. Unless the members of a co-operative sale society are in a position to overcome such temptation, it would be difficult for a sale society to succeed. Disloyalty on the part of members may often be due to credit obtained by them from outside as well. Whatever may be the reason, the co-operative marketing organization is well-advised to be on the lookout for causes of disloyalty with a view to their speedy rectification by the adoption of measures like supply of prompt and adequate finance, provision of marketing facilities or services and the execution of contractual agreements. In order to secure loyalty of members, emphasis should be laid on efficient service rather than on contractual obligation or provision of a penalty in the bye-laws. A marketing co-operative that relies more on contractual obligation often fails to meet the threat of competition. For the success of a marketing co-operative as well as for any other type of a co-operative asso-

in
 ciation, well-informed membership is quite essential. It is
 enough that directors and managers are directly concerned
 formation and administration of policies. Members must them-
 selves understand the functions, methods, principles underlying the
 operation of the society and matters of business policy. They
 must be able to direct the programme of work of their society
 to the objectives they are going to seek and they must be fully
 acquainted with the activities of their association at all times.
 In this connection, "The Rural Progress through Co-operatives",
 a United Nations' Publication, has the following observations
 to make in the concluding paragraph of Chapter VIII:—

"The best basis for success in co-operative marketing is a
 membership which really understands what the society is trying
 to do and which is prepared to be loyal to it, an efficient staff
 which understands co-operative principles and commercial practice,
 and a commodity for which a steady market exists or can
 be created by intelligent adaptation. Experience in many coun-
 tries has shown that understanding of purpose, and loyalty are
 greatest where, first, the economic purposes for which co-
 operative societies are formed are of deep and uniform concern
 to farmers. This is most likely to be the case where each farmer
 has one or two products for sale, in similar amounts and quali-
 ties, where family incomes are heavily dependent on these sales,
 where processing and transport services tend to divorce indi-
 vidual producers from larger wholesale and consumers' markets
 and to foster imperfect competition in particular localities, and
 where farmers all belong to the same general social group
 and are not subject to moneylenders, traders and landlords with
 excessive economic or political power. Understanding and loyal-
 ty are dependent, certainly on basic education, and on careful
 promotional work, usually by a government organization but
 often by University extension workers or, at a later stage, by
 successful co-operative organizations already established. Short-
 comings in formal basic education have been made good in some
 countries by sympathetic help and sound advice in a process of
 "learning by doing". Efficient staff is most readily available
 in the more fully commercial economies with educational systems
 which are well developed and attentive to co-operative principles.
 Steady markets depend largely on good quality in production and

processing and on efficient organization for storage, transport and sale, but also on stability of production and supply as compared with demand.

Where all these factors and the general social structure have been favourable, co-operative marketing has developed effectively to serve rural and general social and economic progress. But where one or more have been lacking in greater degree, progress has been slower and patchy. In many of the areas most in need of progress in marketing, co-operation has never been granted the conditions for fair trial as a means to this end. Improvements in land tenure and in credit and transport arrangements are further extending the scope for government advice and legal and financial assistance to co-operatives in such areas.

Past experience clearly shows, however, that in the establishment of marketing co-operatives, as of other forms of co-operation, sound development depends ultimately on the decisions and self-reliance of the members themselves and that, though some help from outside their societies is essential, its nature and amount must be wisely judged or it will ultimately prove restrictive and even destructive".

(viii) *Avoidance of Over-Capitalization and Adequacy of Finance at cheaper cost*:—Finance is the cruz of agricultural marketing and it affects every phase of marketing, which is the final stage of production. Adequate capital is required for purchasing land, buildings and for installing machinery for processing and other equipment. That is how the Committee of Direction of the All-India Rural Credit Survey has recommended that the State Government should contribute 51 per cent of the capital of a marketing co-operative and retain the power of veto. The underlying objective is to assure the societies a strong financial base. What percentage of share capital a State Government should provide is of course a matter of divergence of opinion and we need not treat the controversial ground here. Suffice it to say that the capital provided by the Government should be adequate enough to enable the marketing society to provide for itself the requisite physical facilities—land, buildings, machinery

and other equipment—and the central financing agencies might be called upon to provide the trading capital needed for making loans to farmers on the pledge of produce, so as to confer on them the much needed waiting capacity. For obtaining the finance, the route should be as short as possible, just as the journey of commodities from the producer to the consumer should be the most direct possible. It is obvious that the more agencies that the money passes through, the more is the cost of finance to the primary producer. When a marketing co-operative functions as a licensed warehouseman under the Warehousing legislation, it should be possible to shorten the route towards the finance based as it will be on the security of the warehouse receipts—quasi-negotiable instruments—which will be created by the marketing co-operative itself. In making these recommendations regarding the provision of separate fixed and trading capital, the principle borne in mind is that a marketing co-operative should be in a position to get money on which interest is payable only when it is being used and on which interest is not required to be paid when it is not being used. For this reason, share capital—whatever may be its source of acquisition, whether from members or State Government or Central Financing Agencies—is not entirely suitable for financing all the needs of a marketing co-operative. It should just be adequate enough to cover the cost of fixed assets required by marketing co-operatives such as land, buildings, plant etc.

(ix) *Adequate Volume of Business* :—Closely associated with the principle that a marketing co-operative must, in order to be successful, fulfil an economic purpose is the principle of adequate volume of business. Unless a sufficient volume of business is forthcoming, so as to enable a marketing co-operative to operate at a minimum cost, its failure is certain. It is obvious that services like grading, packaging or storing or whatever other services are required will be costly unless operations are performed on a reasonably large-scale. Besides, a large turnover is also necessary in order to employ an efficient and capable manager and perhaps many other full-time employees. Large volume is also essential to meet the threat of competition of large-scale operators. It is for these reasons that a condition is imposed on members in a marketing co-operative that they should sell

their marketable surplus through the society only. This obligation is implicit in the member's contract enforced by most of the marketing co-operatives in the West and in U.S.A. This condition is prescribed at least in the beginning until such time as the affairs of a society are placed on a sound footing. The Bombay Provincial Banking Enquiry Committee held the view that no compulsion should be employed, as the marketing co-operatives in the Bombay State had progressed sufficiently without such contractual obligations. This opinion was not, however, shared by the Indian Central Banking Inquiry Committee, which was of the view that such compulsion should be used. They opined that contracts and penalties were a normal feature of the working of marketing co-operatives in other countries. They were further of the opinion that if compulsion were not practicable in the earlier stages, it would have to be introduced later, when the co-operative movement attained an advanced stage of development in a particular State. The question of adequate volume may not loom large in the new arrangements, as a large part of the finance is made on anticipated crops rather than on the more usual and more tangible form of security. The task ahead would no doubt not be easy. Each society making finance against the security of anticipated crops will have to be considerably watchful and vigilant about the crop and make special arrangements to get it and effect its sales through the neighbouring marketing co-operative. Thus the problems of safe storage, avoidance of pilfering, proper transport and grading will have to be tackled effectively both by the credit and the marketing co-operatives, if the system of co-operative crop finance envisaged by the Rural Credit Survey is to be a success.

(x) *Avoidance of Maladjustment of Supply to Demand* :—Marketing is not simply a process of transfer of goods from their source of production to the point of consumption. It is rather a highly complex business involving a number of distinct but related steps such as production, transportation, storage, financing, risk-bearing wholesale and retail sales. One of the major problems a farmer has to face in order to improve the marketing situation is to adjust his production to demand. It may be noted always that the forces of supply and demand will be in operation, regardless of whether the marketing arrangements are co-operative

or otherwise or irrespective of whether best possible facilities for marketing are available for ensuring that the produce arrives at the right time and in right quantities at the market. When there is a real over-production relative to demand, no amount of efficiency in the marketing process as such can prevent a fall in prices. Thus if a co-operative marketing society is so successful that it encourages over supply of production on the part of its members, the ultimate result may be its failure.

(xi) *Avoidance of Co-operative Middlemen*:—When the co-operative system of marketing reaches a highly developed stage, there is a tendency to replace the private middlemen with co-operative middlemen who can equally become a big drain upon the producer like the ones whose place they take. The more intermediary secondary stages there are in marketing, the higher the cost of upkeep and less the share of the primary producer. Apart from processing, it is obvious that secondary processes or stages do not create wealth but will have to be paid for only out of the final prize realized. Thus lengthy chains of organizational societies should be avoided.

(xii) *Efficient Management*:—No principle is more obvious. Efficient management is often presumed. Actually it is of utmost importance. Bad management is often the cause of failure of private enterprises and of co-operatives alike. The agriculturist is not ordinarily a man with business acumen nor is he able to cope with the "wiles of the middlemen" or the technique of trade and commerce. He needs the help of a marketing co-operative at every stage in the disposal of his produce. If he is to get the right kind of technical advice in regard to the sale of his produce and other kinds of help in regard to production as well, a capable Manager who knows his job well is fundamental to the success of a marketing co-operative. It should be remembered that co-operative management is in many ways a more difficult task than the management of private business. Co-operators must therefore, recognize that a capable manager can be had only on payment of adequate remuneration. Failure to recognize this principle has often led to poor results in the past. The Manager of a marketing co-operative, it may be noted, is the key-officer and is the driving force, being a technical expert. He must not only have business acumen, but should also be

in a position to deal with an ignorant class of people and co-operate with the members of the Board' who would often be the people not very conversant with a technical know-how of the business. The main success of a society would ultimately depend on the sort of person chosen. The right of choice must no doubt rest in a theoretical sense with the Board of Management, but in actual practice the question of appointment of a suitable person bristles with difficulty. The danger of favourism is real and it can be overcome no doubt by creating a State cadre of Managers and giving to each society the choice to select one from such a panel. The Rural Credit Survey Report has recommended that the State Government should maintain a pool of trained officials for deputation to a marketing co-operative, but this recommendation is not easy to implement in actual practice. Possibly a Recruitment Board consisting of representatives of Government, the marketing co-operatives and the Apex Marketing Society, might be tried as an alternative solution. The problem of management does not end with the appointment of the manager. There is also the problem of Management which is composed of Directors and members of the Board. This problem of Management has two aspects : In the first place, the society must win the confidence of its members and secondly sound administrative policies will have to be framed and put into effect while rendering several marketing services. To solve the first one, there must be constant collaboration between the members and the directors. In order to tackle the latter, the directors and the manager must be in constant collaboration between them, so as to inspire confidence in each other. In the new set-up suggested by the Rural Credit Survey, State-partnership at all levels is recommended. State partnership envisages that nominees appointed by the State Government on the Boards of Marketing Co-operatives would be able to bring a certain amount of efficiency in the working of these societies, and to curb unhealthy tendency, if any, as soon as it manifests itself but past experience has shown that such nominees with few honourable exceptions, have neither the time nor the ability to play this role. It would be better, therefore, if one or two paid directors, as is done in the West, were nominated on the Boards of these societies, but the persons recruited for the purpose must

understand the know-how of agricultural marketing. In order to deal effectively with the malpractices, irregularities in the working of these societies and misuse of powers on the part of the Management, a speedier procedure for rectification should be provided in the Co-operative legislations whereby the State Co-operative Department, in consultation with the State Marketing Society, wherever it exists, should be in a position to suspend the Board of Management and carry on the administration for some time either with the help of a Nominated Committee or a paid Administrator as circumstances warrant, with the right of appeal to the aggrieved party to the State Government, as usual.

(xiii) *Leadership* :—If the privileges and responsibilities of members, and the need for their loyalty are to be brought home to the existing and the prospective members, it can be done through a few persons who are capable of assuming the leadership of the society.

(xiv) *Normal Operation and Normal Risk* :—Another principle, the observance of which leads to success, is a principle of "normal operation and normal risk". Unusual risks are dangerous to the existence and success of a marketing co-operative, which must be eliminated. The greatest of marketing risks for a co-operative sale association is the price risk, as the prices of farm products vary from season to season. Outright purchases of large quantities of commodities like wheat, cotton, etc. require to be avoided, and if purchases must be made, the amount must be strictly limited to the owned funds of the society, and all speculative operations should be avoided. Normally co-operatives are looked upon as a means of fighting speculative trading and price manipulations, and they themselves should not fall a victim to the pressure of their members who may demand activities which may not be a safe operation.

Some Causes of Failure

The study of factors analysing the causes of failure of American Marketing Co-operatives may be helpful. (Vide Page 51—Marketing Co-operatives by Blankertz). The factors are listed below :—

(1) Individualism, ignorance, lack of education, intolerance, social, religious or political, and irresponsibility of members.

(2) Lack of loyalty and interest on the part of members in the affairs of an association.

(3) Insufficient capital, insufficient volume of business, and inefficient management.

(4) Too many varieties of products handled and poor quality of production.

(5) Lack of patronage.

(6) Too high salaries and unwarranted management expenses.

(7) Area of operation too big.

(8) Laxity in enforcing contracts.

(9) Division of the profits up to the hilt and no provision for educational and other funds.

(10) Falling prices and dishonest practices.

(11) Defective organization and over-production and poor service in respect of grading or processing.

(12) Inability to borrow and facing unfair competition at the hands of rivals.

(13) Attempting to operate with too few members.

(14) Attempting to operate at the very inception on too large a scale before proper experience is gained.

(15) Attempting to operate at the very commencement with too small a margin of surplus.

(16) Peculiarity of local conditions, e.g., in an area where people are mutually suspicious of each other, no marketing co-operative has a chance to succeed.

(17) Absence of need for a co-operative organization.

(B) The following are some of the instances of failure of marketing co-operatives in India :—

(1) Jute Sale societies started well in Bengal but failed subsequently owing to faulty organization, inefficient management and speculation, which rendered the business risky, and uncertain.

(2) Among other causes responsible for the failure of commission shops in the Punjab, may be mentioned the organized boycotts, bad debts, thoughtless advances, communalism and

tendency of the directors to push in proteges of their own on the staff of the society.

(3) A few sale societies were formed in 1920 with the object of holding over the produce of members and selling the same at favourable time. All these societies have, however, failed. The chief causes of their failure were bad management, speculation and dishonesty of workers. A sugar factory was also organized, but it failed owing to bad management and inefficient administration. The co-operative sale movement has suffered a great setback on account of embezzlement, lack of business experience of directors, the disloyalty of members, the lack of efficient supervision and competent and loyal staff.

Advantages of Co-operative Marketing

The various handicaps from which an agriculturist-producer labours under in the marketing of his agricultural produce have already been described in a previous chapter. There are also certain disadvantages when he borrows monies from the village sowkar who is also a trader. As solvents to these evils, co-operative marketing and establishment of regulated markets may now be considered. Co-operative marketing, as experience has shown elsewhere, strengthens the position of the cultivator as a seller by securing to him of a regular trade outlet and obtaining for him better prices. There are other advantages also which co-operative marketing confers on the farmer which it is proposed to discuss below :—

(1) *Economy in the Cost of Marketing* :—When agriculturists combine to form a co-operative sale society, with view to market their produce collectively, they will be able to eliminate the small assembling merchants and deal directly in the wholesale market and thus be able to economise in the cost of assembling of small lots. A co-operative marketing society will not, however, entirely eliminate the marketing cost. Important functions of marketing such as assembling, grading, storing, transporting and risk-bearing must have to be performed whether undertaken by middlemen or by a co-operative sale society and these involve expenditure which must

be incurred. It may be possible for a co-operative enterprise to render the services at a lower cost than middlemen and to eliminate only those middlemen who are superfluous.

(2) *Better Prices may be secured*:—If a marketing co-operative is able to handle a large volume of business as a result of the loyalty on the part of members and other advantages it offers, it is possible to get marketing functions such as storing, grading and transport performed at a lower cost. When marketing costs are thus reduced, it will be in a position to secure better return to the producer who markets his products through the society.

(3) *Improvement in the Quality of Products*:—One of the reasons which are responsible for the outstanding success of co-operative marketing societies in the U.S.A. is the part played by such societies in making products "conform to the desires of the market". As a marketing co-operative handles a large volume of produce, it will be in a position to grade the products of members and persuade them to grow those varieties of products for which there is a great demand in the market. The marketing society by paying the members according to the quality of products holds a direct inducement to them to grow better varieties of products.

(4) *Advantages of Collective Bargaining Power*:—In addition to the price advantage which an association of farmers on co-operative lines brings with it on account of the fact that it controls a large volume of a limited supply, a marketing co-operative will be in a position to secure advantages which arise from its collective bargaining power also. For instance, it can present the case of the farmers while dealing with outside agencies like the railways, the State and the public to a greater advantage than is otherwise possible for an individual producer.

(5) *Steady Supplies and Stabilization of Prices*:—An important service which a marketing society performs when it operates in the wholesale market is in the direction of stabilizing prices over long periods by adjusting the flow of goods to the market according to demand. When it is thus in a position to control the flow, it will be in a position to even out the seasonal fluctuations in prices also. Immediately after the harvest, it can take

over the produce from cultivators and store it or hold it over for some time and gradually release the same in the market with a view to avoiding a glut. But in cases where attempts have been made to raise the price by holding over stocks, they have met with failure.

(6) *Cheaper Finance* :—As a sale society will be in a position to obtain cheaper finance from central financing agencies against the pledge of goods deposited with it by the members, it will be able to reduce the cost of marketing in so far as marketing finance is concerned. The individual farmer is a small producer and has no facilities and conveniences to store his produce against which he can borrow at a cheap rate of interest in the absence of a network of licensed warehouses in the country. Thus marketing cost tends to be higher. But by joining a co-operative sale society an individual farmer can obtain finance on the security of his produce at a much cheaper rate than is otherwise possible for him.

(7) *Business Education* :—Co-operative marketing teaches farmers business methods and gives them business education. The operation of marketing co-operatives teaches cultivators that agriculture is a form of business and the marketing is closely akin to the problem of production. When cultivators themselves undertake the business of marketing their produce, the practices which have the effect of reducing the economic value of their products are clearly brought home to them. Thus, this factor is so important in the business education of farmers as their own efforts in co-operative marketing. The marketing co-operatives also serve as important agencies in providing market intelligence and in supplying information in regard to such factors as affect their economic well-being. These advantages of co-operative marketing are well understood in all countries where the co-operative movement has made progress and various governments have come forward to assist in the development of co-operative marketing in a number of ways. This is so because the governments realize the fact that co-operative marketing is one of the best methods of increasing the income of the cultivator.

The Structure of Co-operative Marketing Organisation at different Levels

As already mentioned in the previous paragraph, there are considerable advantages if co-operative marketing is on a large-scale. The greater the quantity of produce handled, the lower is the cost of handling each unit of produce. With the bulk of produce assured to a marketing co-operative, more convenient godowns or warehouses can be built and more competent and well-paid staff appointed. Furthermore, it is easier to make a good bargain on a larger deal than on a smaller one and there is a less danger also that the rivals would undercut prices or upset grades. These considerations have influenced the organization of a centralized association in the U.S.A. covering a wide area with thousands of members. In a country like the U.S.A. where large-scale farming is in vogue and where communications are easy, such centralized associations have advantages of their own. The only drawback of a centralized association is that it loses contact with its members who evince no interest in its affairs, the whole show being run by the paid officials and the more active directors on the Board of Management. Members do not know how such an association is run and do not care to know also, so long as nothing goes wrong with it. Why a centralized association is favoured, apart from the reasons given above, is that it can be organized in a short time. The Washington Co-operative Egg and Poultry Association furnishes an example of a centralized type of association. The organization is built from top to bottom. A federated type of association is on the other hand, built from bottom upwards. In areas where the primary co-operative marketing society is a small one, its size being dependent on the job to be done, the bargaining power of co-operative marketing can be built by a federation. A federation is composed of local primaries only, instead of individual farmers. These local societies attend the general meetings of the federation through their delegates and it is they who elect the Managing Committee. A federation may cover only one region of a large country or the whole of a small one. If it is a regional one, it may join with other regional federations to form a national association. There are some federations which do not handle any commodity or engage in trade but

are concerned with general conditions affecting co-operatives in the marketing of a particular commodity. Such federations enter into relations with Government and the Railway Companies on behalf of co-operatives and tender legal and technical aid, wherever necessary. They also supervise and audit the accounts of the primaries affiliated to them. Such a federation will have only an office and a secretary and one or two specialists to advise the primaries. While deciding the pattern of organization of co-operative marketing societies at different levels in this country, the two main functions of marketing co-operatives will have to be considered, viz., (1) supply of farm requirements and (2) marketing of agricultural produce. For the former, it is necessary to have an institution at the apex level and for the latter, it is necessary to have an institution at the primary level or bottom. Simultaneous action is, therefore, necessary to build-up the co-operative marketing structure at the bottom and at the top. In so far as the intermediate level is concerned, no hard and fast rule can be laid down. There should be an institution at the intermediate level only if there is a clear need for it and certain economic advantages can be derived therefrom. An institution at the intermediate level will be necessary if it is likely to help in obtaining better prices for agricultural produce or in rendering any particular service such as processing. The intermediate organization may be organized on a regional basis districtwise according to the circumstances of each case. The function of an institution at an intermediate level will have to be decided ultimately by the Co-operative Department, the District Central Bank and the Co-operative Societies operating in the area acting together.

As regards the formation of a primary marketing co-operative at the base, it may be stated that the efficiency of the co-operative marketing organization is indissolubly linked with the efficiency of the co-operative agency making finance available for the raising of crops. Unless credit co-operatives have sufficient funds been developed in a particular area, the marketing co-operative can achieve only limited success. Efforts are, therefore, needed in the first instance to start as many thrift and credit societies in villages as possible, or a larger-sized credit society in the

place where a primary marketing co-operative is situated. Such primaries working within a radius of five to ten miles need be linked up with another co-operative organization called a multi-purpose society on a limited liability basis working in a minor market place or a place where weekly bazars are held, not only for the purpose of dispensing credit but also for undertaking the sale of produce and supply work. Care, however, should be taken in regard to the selection of a place where a multi-purpose society is to be started. Three or four multi-purpose societies working in minor markets in a Tahsil or a Taluq should act as feeders to a primary marketing co-operative established at either a Taluka place or a major market or mandi where the agriculturists usually take their produce for sale and where the commission agents are engaged in the disposal of produce. Where a larger-sized credit society functions, it will act as a feeder to the marketing co-operative operating at a major market place or mandi. Where the multi-purpose societies are started in a minor market place, they will act as feeders to the primary marketing co-operative. Thus credit would get linked up with marketing either through the agency of a co-operative multi-purpose society or a larger-sized credit society. The primary co-operative credit societies in villages or the larger-sized credit society should finance the production of crops on condition that the farmers should sell their produce through the neighbouring sale organization. In order to see that the members in receipt of finance honour their obligations, the system of controlled credit has been introduced in Madras, but it has succeeded only partially in respect of commercial crops, though the scheme was recommended for adoption elsewhere by the Co-operative Planning Committee and the Reserve Bank of India. In order to complete the pyramidal structure of co-operative marketing in a State, the institutions at the intermediate level, A.P.M.C.s, or the primary marketing co-operatives would have to be affiliated to an apex co-operative marketing organization operating at the terminal market. Thus truly a federal co-operative marketing structure would be built up from bottom upwards, but this process is necessarily slow and requires time. A State Marketing Co-operative, when established, may join similar institutions to form a National Marketing organization for the country as a whole. As regards single-commodity market-

ing co-operatives handling commercial crops like cotton, jute, oilseeds, their work also would require to be closely linked up with a regional marketing organization which, in its turn, would affiliate itself to the State Marketing Co-operative for that particular commodity. Such State Exchanges would then unite into an All-India Exchange. Such Exchanges established for handling individual commodities would greatly assist in the work of the State Trading Corporation established by the Union Government. This is, in brief, the outline of co-operative marketing structure that requires to be evolved in the near future. The recent Conferences on Marketing and Co-operation held at Hyderabad and Jaipur adopted resolutions to the effect that the structure of co-operative marketing organization should normally consist of two tiers only viz., the primary and the apex body. If, however, the State Governments considered an intermediate federation to be necessary, then it might have a three-tier structure. In regard to the location of the primary marketing society another resolution was adopted to the following effect :—

“The Office of the Primary Marketing Society and its godown should as far as possible be located within or near the premises of a regulated market and very close to a Railway Station or a main road in order to facilitate produce being brought to it and sent to other destinations”.

Membership of Federations of Marketing Co-operatives

The membership of a marketing federation at the intermediate and the apex levels need not merely consist of local co-operatives. Examples of successful federations whose membership is fixed, i.e., composed of both individuals and primary societies are found in certain parts of the world. In the Bombay State, fixed membership is the rule. Individuals are admitted to membership at the secondary level with a view to obtaining the advantage of more share capital and local initiative and assistance in the management of the concern, as the representatives of farmers are often not able to run such institutions efficiently. When individuals are admitted, problems of their representation on the management and voting at General Meetings etc. naturally arise and these can be solved by making suitable provisions in the bye-laws.

Establishment of National Marketing Boards

It is important for organizers or promoters of a marketing co-operative to find out whether any National Co-operative Marketing or Export Board exists or whether any restrictions are imposed on the sale of a crop to be handled co-operatively, by the Government Departments, sometimes a system of marketing is established for a particular crop which gives no scope for co-operative action, but this appears to be less common. On the contrary, it is more usual to find that the Marketing Board acts through local agents who may be traders or co-operatives. Through the device of a Marketing Board agricultural marketing comes to be centralized, and competition controlled, and the position of the agriculturists made more secure. First conceived as a form of co-operation with the support from public authorities, it has developed on different lines in different countries, and in some countries its relationship with the Farmers' Co-operatives is less well defined. Queensland, (Australia) was the first to establish a Marketing Board in 1921 as a marketing device to hold up prices. Though the effort was not wholly successful, it opened up possibilities of reorganizing co-operative marketing and of improvement of transport and storage facilities, borrowings from Government for building of processing plants and the discovery of new markets. A similar system has been introduced in a number of other countries too. In Norway, e.g., a Milk Marketing Scheme was built up entirely out of the existing co-operative dairy societies with the addition of a Central Coordinating Body with powers to take general decisions. Its objects were to regulate the flow of milk, stabilize prices and convert surplus milk into butter and cheese. In the U.K., on the contrary, the co-operative dairies were given no part in the running of the Milk Marketing Scheme. Co-operative consumers' movement in England is stoutly opposed to the method of producers' control sanctioned by the Agricultural Marketing Acts of 1931 and 1933 for various reasons. The Milk Marketing Scheme has enhanced the price of milk to the consumer and the consumers movement is rightly demanding recognition of its rights to regulate trading in commodities controlled by the Board. If the conflict is to be resolved, what appears desirable is for producers to have a full-fledged co-operative organization of

their own, instead of a Marketing Board, as an intermediary step and then the producers' co-operative movement would feel its solidarity with the co-operative consumers' movement. It should then be possible to set up a Joint-Board on a federal basis in order to fix fair prices of products handled in the interests of producers and consumers.

Limitations of Co-operative Marketing

It may be noted that the principle of voluntarism which the co-operative movement advocates provides within itself a limiting factor to its growth. The co-operative movement, being in essence a democratic one, can only grow after using education and conviction as its main weapons for its advance. This applies with equal force to marketing co-operatives. It should further be remembered that co-operation is a mass movement as well, and it is not an easy task to persuade the people to participate in the affairs of a co-operative. In a marketing co-operative whose membership is heterogenous, it is difficult to keep up the enthusiasm of its members, unless its performance is adequate enough to keep them together. Unless the human inertia is conquered, the success of a marketing co-operative would be limited. Other causes which lead to the limited success of a marketing co-operative have already been referred to elsewhere.

Again, "where there is no effective control over production and the activities of non-members, price stabilization inevitably results in expanded output. Unless new markets are to be found for new production, any attempt to hold prices above competitive level is bound to fail and the association loses control of its membership. Nearly all co-operative groups have learnt this lesson, and sell at market prices. The inability of the co-operative association to control the production of individual members, not to mention of the production of non-members, constitutes one of the major weaknesses of any attempt to achieve monopoly control". (Vide pages 328-329, "Marketing" by Duddy and Revzan).

Further, "it has already been pointed out that farmers' organizations are of benefit in overcoming the defects of marketing at country points, that much can be done in the wholesale markets, and in the case of consumption goods it is possible to

influence consumption through advertising and by means of assistance to whole salers and retailers. But the suggestion that re-organization of the whole system of marketing from producer to consumer along co-operative lines would greatly improve marketing, seems fanciful. On the whole, the wholesale traders have reached a high degree of efficiency, and there is little reason to believe that that efficiency can be greatly increased by extending the principle of co-operative marketing to include wholesaling. Furthermore, many of the defects of the present system can be remedied much more easily in other ways. Co-operation has its place and deserves encouragement ; but we should not be misled as to its possibilities". (Vide page 645 "Marketing Agricultural Products" by Clerk and Weld).

General Observations

In the next chapter an attempt is made to review the working of marketing co-operatives in most of the States in the Indian Union. It would be seen therefrom that, barring a few States like Bombay, Madras, etc., co-operative marketing has not yet developed on any very significant scale partly because of the usual obstacles created by merchant-moneylenders and the operations of controls over foodgrains and other essential commodities that lasted for nearly a decade and a half during and after the World War II and partly because of the fact that Government effort in promoting co-operative enterprises were first directed to credit problems. During recent years, the tendency everywhere to form multi-purpose co-operatives has led to more activity in marketing and the emphasis now laid on the development of adequate warehousing facilities in the Second Five-Year Plan, would go a great way in helping the development of co-operative marketing, particularly through facilitating the provision of short-term credit for marketing purposes. In Chapter VIII on "Association for Marketing and Processing", the Rural Progress through Co-operatives—a United Nations' Publication—suggests ways how lack of progress in marketing could be overcome. It observes :

"These considerations suggest that lack of progress in marketing can be overcome in three chief ways, the relative importance of each depending on local circumstances : (a) by ensuring

greater competition between the various middlemen and organizations concerned and by facilitating their operations through the provision of basic services—roads and other transport facilities, more and suitably located stores, improved and extended market information services, effective arrangements for standardization and inspection of weights and measures, and better credit facilities; (b) by promoting larger scale operation where this results in true economy; and (c) by ensuring that monopoly powers are not used against the interests of producers or consumers. Co-operative societies can contribute in each of these three directions and are frequently more appropriate than statutory monopolies or other types of comparatively direct government operation”.

The said publication goes on further and mentions instances of successful marketing co-operatives and their limitations in different countries, and while referring to the experience of the Philippines in the Far East, it writes :

“In the Far East, the experience of the Philippines illustrates how difficult it is to achieve sound co-operative marketing societies while farmers remain indebted to local merchant-moneylenders. Credit conditions must be improved along with marketing. Most attempts to promote co-operative marketing in the Philippines failed for this reason and because able and honest staff to serve co-operatives were not available in sufficient numbers. The economic purpose for which co-operatives were founded were also not sufficiently and uniformly important to prospective members. The only outstanding success in the Philippines prior to the Second World War was in the marketing of eggs and poultry from locality where production was being improved by advice and help from government technicians. The additional production and better quality of products arising, together with other incentives stemming from technical progress, induced and fostered co-operative organization”.

While writing about Britain, it observes :

“Experience of co-operative marketing in Britain also indicates some of the conditions essential to success. Before the Second World War, British farmers had co-operated to sell only a very small part of their total produce, but through their purchasing

co-operatives they were obtaining 14 per cent of their feed and fertilizers. This difference was largely owing to the fact that, in purchasing, farmers faced conditions of imperfect competition and monopoly and by co-operation could often be more efficient than private firms in the distribution of requisities, but in selling their produce, they usually had many outlets and competed more directly among themselves in supplying consumers' markets close at hand. Also, the establishment of statutory marketing boards to raise prices for milk, potatoes, hops and pigs reduced the incentive to organize voluntary marketing co-operatives for these products. During the Second World War, co-operatives for assembling and packing eggs were promoted as a means of procuring egg supplies for officially controlled distribution. These co-operatives were favoured by farmers and many became technically efficient. There were also, under Government price controls, developments in the co-operative marketing of grain and other products, but even at the end of the Second World War, co-operatives were not marketing for their members more than 2 per cent of the total output of United Kingdom farmers".

Recommendations of Conferences on Co-operation and Marketing

In view of the important role assigned to co-operative marketing in the development of rural economy, as visualized in the Second Five-Year Plan, a recent Conference on Marketing and Co-operation held at Jaipur from 3rd to 5th February 1956, agreeing with recommendations made by a similar Conference held earlier at Hyderabad from 27th to 29th November 1955, adopted the following resolutions:

(A) Methods for implementing the programme of marketing.

(1) Since the large-sized agricultural credit societies will in future be giving production loans on a much larger scale and as such loans will be recovered mainly through co-operative marketing societies, it will be necessary to organize co-operative marketing societies hand in hand with credit societies and in some cases even in advance of them. The plans of the State Governments in the first two years of the Second Five Year Plan period should, therefore, provide for the setting up of reorganization of

as many co-operative marketing societies as may be possible, These marketing societies will not only help organised selling and recovery of loans granted by co-operative credit societies but will also supply seeds, fertilizers and other production requisites to credit societies.

2. For carrying out the activities of the primary marketing and larger-sized credit societies effectively, the following division of functions between them may be adopted :—

- (i) The credit society will be responsible for giving production loans in cash or in kind, including production requisites such as seeds, fertilizers, implements, etc. valued in cash ;
- (ii) The marketing society, on the other hand, will generally confine its activities to the giving of loans on the pledge of agricultural produce delivered to it for sale ; in special cases it might also make outright purchases, which should be kept as low as possible ; it will also act as recovering agent of the credit co-operative in respect of production loans advanced by the latter. Although, as a general rule, the marketing society will not provide production credit to its members, the State Government may, for special reasons permit it to do so in exceptional cases ;
- (iii) The credit society will not itself undertake marketing, but may collect the produce on behalf of the marketing society and even store it temporarily until it is sent to the marketing society. It may also grant temporary financial accommodation to its members against stocks held ; and
- (iv) Specific arrangements should be made, either by agreement or by legislation, to ensure that every agriculturist member who takes a production loan from the credit society, sells his produce through the marketing society, to which the credit society is affiliated.

3. While steps should be taken for the construction of godowns for the marketing societies as early as possible, it may be necessary for these societies to hire godowns until their con-

struction is completed. In order to enable the marketing societies and larger-sized credit societies to hire godowns, a subsidy up to 50 per cent of the rent of the godown for the first year of the hiring of such godown may be given and this should be shared equally between the Central and State Governments. Government may also release to them such godowns from the Food Department as can be spared. In the meanwhile, requirements of iron and steel and cement may be ascertained by the State Government and communicated to the Government of India, Ministry of Food and Agriculture, who should arrange for a high priority for their supply.

4. Suitable designs for godown construction for various commodities should be prepared by the Government of India and provided to co-operative societies through State Governments.

5. Marketing co-operatives should devote special attention to the major agricultural commodities of the area to start with. This should not, however, preclude them from undertaking the marketing of other crops delivered to them.

6. Proper co-ordination of functions between the primary marketing societies and similar organizations at higher levels should be evolved. In order to promote this co-ordination, the primary marketing societies should send prescribed returns to the apex society or federation giving information about local sales, prices, arrivals, stocks, volume of trade handled by them, etc. and the apex bodies should in turn actively assist the primary societies in arranging sales in favourable markets.

7. The structure of co-operative marketing organization may normally consist of two tiers, namely, the primary and the apex body. As far as possible, apex marketing co-operative societies should be organized along with primary marketing societies so that arrangements for the supply of production requisites such as fertilizers, seeds, etc. may be facilitated. If, however, the Governments consider an intermediate federation of primary marketing societies necessary for any particular region, this may be allowed.

8. The membership of primary marketing societies should consist of agricultural producers, including agricultural credit societies. A trader, even if he is an agriculturist, but who deals in

the same line of commodities in which the marketing society deals, should not be allowed to become a member.

9. While selecting a centre for the organization of a co-operative marketing society, it should be seen that it is located at or as near as possible a mandi, which is also close to a railway station, a main road or a waterway.

(B) Marketing Finance.

1. The minimum share capital of a primary marketing society should generally be not less than Rs. 20,000/-, but every effort should be made to increase this share capital to at least Rs. 50,000/- as quickly as possible. The maximum credit limit for such a society should ordinarily be eight times its owned capital. This credit limit may be relaxed wherever special conditions warrant. The society can also borrow from a bank on the pledge of produce.

2. It is necessary to make marketing finance available to the agriculturist at as low a rate as possible, and in any case not exceeding the rate at which production credit is made available to him. Loans required for making contributions to the share capital of marketing societies and for the construction of godowns of marketing and larger-sized credit societies should be made available by the Central Government at the same rate at which loans are given by the Reserve Bank to enable the State Governments to participate in the share capital of co-operative credit institutions.

3. The co-operative marketing societies should normally obtain financial accommodation from the central co-operative banks, only. In cases where the central banks and the apex banks cannot provide requisite finance, the Registrar of Co-operative Societies may permit a marketing society to obtain the necessary accommodation from the State Bank of India or any other commercial bank.

4. Since a large part of marketing finance will have to be obtained from the central banks, as cheaply as possible, it is necessary to strengthen the Central Banks ; with that end in view, steps should be taken immediately to amalgamate existing small and uneconomic banking units.

(C) Processing.

1. In view of the fact that processing of agricultural produce is an important adjunct to marketing for ensuring the maximum return to the producer, it is necessary that workable methods of financing co-operative processing societies should be devised. The following formula would suit the purpose :—

Block Capital :

- (i) Members' share capital—20 to 25 per cent.
- (ii) Government share capital—20 to 25 per cent.
- (iii) Loans from Financial Corporations—50 to 60 per cent.

Working Capital :

Loans from co-operative financing banks.

What a Marketing Co-operative does and how it works ?

It may be mentioned at the outset that co-operatives are formed to handle many types of agricultural products in different parts of the world. There is not a single agricultural product which is not somewhere successfully sold by a marketing co-operative. This does not mean, however, that the problems presented by co-operatives handling different kinds of agricultural produce are the same. In fact, each commodity presents its own problems, and the technique of a co-operative handling one kind of product has nothing in common with that handling another type of agricultural product. For example, a grain marketing co-operative has its own problems different from those of a marketing co-operative handling highly perishable products like fruits or vegetables. Some crops again go through much more elaborate processing and get continuously transformed before they can be put on the market. The animal husbandry products like eggs, milk, meat, wool etc. raise their own problems of co-operative handling. What is attempted in the following paragraphs is an account of the working of a marketing co-operative handling agricultural products in general, and co-operatives handling single commodities like cotton, sugarcane, milk etc., will be described at length in the following chapter.

(i) *Origin of a Marketing Co-operative* :—The idea of starting a marketing co-operative may, in the first instance, originate with the farmers themselves. If, however, they are too conservative or timid to make any new move, the initiative may come from an

organizer who is specially qualified for the purpose and who may be either in the employment of Government or a Federation. Whatever may be the source of the initiative, it is necessary for the promoters to seek advice from a disinterested source.

(ii) *Need for Modest Beginnings* :—To start with, the promoters would be well advised to begin with not more than one or two simple steps. They may start by collecting the produce and selling it to a commission agent who offers the best price. Later on, when it is well established and gains in some experience, it may take on other processes.

(iii) *The need for Registration under the Law* :—After satisfying themselves about the chances of success of a marketing co-operative proposed to be established, the next step is for the organizer or the promoters to draw up a set of bye-laws defining the objects of the association, the sources from which capital is to be raised, persons to be admitted to membership etc. Occasionally the bye-laws may also provide for disqualifications for membership. The duties and rights of the Managing Committee, the functions and powers of the General meeting, the staff to be appointed and their duties and responsibilities, the distribution of profits and building up of reserves are matters which normally find place in the bye-laws. As a co-operative is not a capitalistic concern, shares are subscribed by all the members in the same value, and it is normally provided in the bye-laws that no member may hold shares exceeding a certain amount subject to an overall limit of one-fifth of the total share capital of the society. In addition to contributing to the share capital, it is common for members to give an undertaking to deliver all their marketing surplus to the society. This obligation is normally included in the bye-laws and if a member fails to honour his obligation, he agrees to pay a penalty also which is seldom enforced by marketing co-operatives in India. After carefully drawing up the bye-laws which have to be in conformity with the Act and the Rules, an application to register the society has to be made to the Registrar or his Deputy by at least ten persons who are of the age of majority. After registration, the society becomes a body corporate with a perpetual succession and a common seal. This is important because it enables a co-operative to enter into contracts in its own name, to buy and sell, invest monies, own property and sue

and be used in its own name and not in the names of all the members whose number may often run into hundreds and even thousands.

(iv) *The Area of Operation of a Marketing Co-operative:—* The area of operation and the headquarters of a marketing co-operative will have to be decided with reference to local conditions. The area chosen would coincide with the area of the market, the volume and type of produce to be handled. For example, the area of a paddy marketing society may be confined to a taluka but in case of commercial crops like groundnut and cotton, the area may extend to a whole district or to the whole of the tract growing the crops. Thus a distinction is sought to be made between the subsistence crop area and the cash crop area. "In so far as subsistence crop production is concerned, the difficulty in organizing marketing to local urban centres is that the surplus for sale produced by each farmer is so small that the cost of collecting produce is high,—while the urban market is too small to offer much scope for large-scale economies in marketing". (Vide page 261, Volume II, Rural Credit Survey Report). It is important that the headquarters of a marketing co-operative should be located at a major market place or an important marketing centre.

(v) *Membership of a Marketing Co-operative:—* Membership of primary marketing societies should consist of :—

- (1) Individual agricultural producers ;
- (2) Large-sized credit societies or small credit societies ;
- (3) Multi-purpose societies working in its area.

Traders should only be admitted as 'B' class members (nominal members) without right to vote or to participate in the management and profits of the society, and that too only in such cases where they have dealings with the marketing society. The object is that in case of dispute, it should be possible for the marketing co-operative to proceed against them under arbitration rules. It is urged by some people that more prominence should be given to co-operatives and individuals should be admitted only as nominal members. But this would bring about an important change in the composition of a marketing co-operative which is

a complicated type of organization. In view of the need for individuals participating in the management and contributing to the share capital, so as to give to it the much-needed stability, the existing practice of having individual agriculturists and societies as members need not be interfered with.

(vi) *Objects of a Marketing Co-operative* :—The objects of a marketing co-operative are :—

(1) To advance loans to members on the security of their produce.

(2) To arrange for the sale of produce to the best advantage.

(3) To rent or own godowns to facilitate the grant of loans and sale of members' produce.

(4) To purchase seeds, manures, implements and other agricultural requirements either for sale or distribution to the members or to other co-operative societies.

(5) To undertake activities in connection with grading, pooling and processing of agricultural produce on behalf of members.

(6) To act as the agent of affiliated societies in the matter of receiving for safe custody in its godowns or elsewhere the produce pledged to the affiliated societies by their individual members.

(7) Generally to promote the economic interests of its members by encouraging self-help, thrift and better farming among members.

(vii) *Capital Structure and Capital Requirements* :—A marketing co-operative requires fairly large capital resources. Its capital requirements would naturally vary according to the type of work undertaken by the society and the commodities handled and the volume thereof. In the present state of development the minimum share capital should generally be Rs. 50,000/- of which Government would contribute Rs. 25,000/-. The maximum credit limit for such a society is ordinarily eight times its owned capital. This limit is permitted to be exceeded in respect of loans given on the pledge of agricultural produce. The capital requirements of a marketing co-operative are of three types : Short-term or working capital for about a year ; medium-term capital for about a period of three to five years, and long-term capital of more than five years. Short-term capital is needed for financing such needs

as advances for production, grant of produce-pledge loans, purchase of produce, meeting contingent and other establishment expenses like rent, salary, wages, stationery, etc. ; Medium-term for making purchases of motor trucks and long-term for installation of machinery, putting up buildings, office premises and the like. The problem mainly centres round how far ahead it is wise for a marketing co-operative to look, at the outset. In some countries experience shows that co-operatives have suffered for being too ambitious. They locked up all their available capital in putting up magnificent buildings, but buildings alone are not everything. But the position is different if the marketing co-operative is going to alter the product in any way—crush oilseeds, turn milk into butter, or thrash grain ; if it intends to grade a product, it will need machinery, or if the product is to be delivered to a distant market, transport will be necessary and motor trucks will have to be purchased. All these things are capital costs which have to be met as soon as a marketing co-operative begins to work. For fixed capital requirements a marketing co-operative will have to raise funds by means of share capital, or in the form of debentures or loans or share contributions from Government, and for other needs the sources would be loan from a central financing agency, deposits from members or non-members and marketing finance by the Reserve Bank. When it becomes necessary to borrow, it is not possible to do so without offering security. One form of security may be a mortgage on the building which a co-operative has put up and another is the guarantee which the members are prepared to give for repayment of the loan. It may be noted that a co-operative with unlimited liability is in a better position to borrow funds than one with limited liability, as it offers greater security to the lender. Sometimes it becomes difficult to raise funds on the security of machinery or other equipment, but the position is different as regards a crop once it is lodged in the godown of a marketing co-operative. It is possible to borrow money on the security of warehouse receipt or warrant for the crop stored from the banking system. This method goes a long way in solving the problem of prompt payment to a member who has delivered the crop and wants some money for meeting his urgent needs. At the outset a marketing co-operative has to depend a good deal upon outside sources of capital. As it gets

established with the passage of time, it should aim at a large measure of financial self-sufficiency. This can be achieved, firstly, by increasing the share capital and, secondly, by getting the member to agree that a part of his portion of the surplus profit be paid into his deposit or loan account, instead of making payment of the whole of it in cash to him. Another important source of capital is the reserve. The bye-laws lay down that at least 25% of the net profits should be appropriated towards the reserve. One great advantage of reserves over other forms of capital is that no interest is payable on them. Shares subscribed by members carry dividend and loans carry a fairly high rate of interest, but reserves are interest-free. One other method of accumulating capital is by way of maintaining the revolving fund. The Revolving Fund Plan of financing a co-operative is distinctly co-operative in its nature and is adopted by marketing co-operatives in North America. It is a device to secure fixed capital from members in proportion to their patronage without involving long-term investment. The members under the plan authorize the Committee to make a small money levy on every unit of produce brought to the society or to retain some part of the profit due to him at the end of the year. This money is credited to the member's account as a loan from him to the co-operative normally for a period of not less than five years. Interest is paid on it and the co-operative guarantees to repay it at the end of five years. The rotating plan is in its essence a system of issuing certificates of indebtedness annually in equal amounts, so that one issue redeems a prior issue. Suppose, for example, that in 1952 a marketing co-operative has patronage dividends available to the extent of Rs. 60,000/- and the Association decides to deduct 10 per cent therefrom for each member's bonus due to him and issues in all Rs. 6,000 worth of certificates bearing interest and maturing in five years. In the following year, deductions are made, so as to accumulate similar amounts, so that when the revolving fund plan fully operates for a period of five years, a continuous revolving capital of Rs. 30,000/- will be in the hands of the co-operative at all times. In 1957, e.g., the amount deducted from members or amounts available as bonus to members out of profits may be Rs. 1,20,000/- and if the Association decides to deduct only 5 per cent out of this sum, Rs. 6,000 would be withheld and can be used to retire the certificates of indebtedness worth Rs. 6,000/- issued in 1952.

This process is continued, so that the Association will be in possession of the required amount at all times. The advantage of this plan is that the member is saved from having to produce cash at a time when he may not have it and it gives him a little interest and a lump sum at the close of a period of five years. As fresh levies or allocations out of profits are being made year by year, it should not be difficult for the co-operative to repay the amount borrowed when the year comes round in which repayment is due. Another advantage of the plan, according to Digby and Gretton, is that members who give up farming are able to receive back a large part of the contribution which they have made to the capital of the co-operative. It is obvious that members who join a co-operative grow old and in twenty years' time many of them may have handed their farms over to their sons. It is better, therefore, that there should be some easy way of paying back part at least of their contribution and that the co-operative should not continue to depend for its capital on people who are no longer actively interested in its work. Mention has already been made that financial self sufficiency should be the aim of a marketing co-operative, but this conclusion admits of one exception. When large amounts are needed for a few months or for a few weeks, it is not economic for a co-operative to provide these sums from shares or revolving capital on which interest is paid throughout the year. If a loan or an overdraft is obtained from commercial or a co-operative bank or even from Government at reasonable rates of interest for the period required, it will be the cheapest source of temporary capital, and one which the co-operative would be well advised to make the best possible use.

(viii) *Functions of a Marketing Co-operative* :—Assuming that a marketing co-operative has raised the necessary capital, elected a committee, has appointed the necessary staff and has put the necessary buildings and other equipment, the next question is what it does, or how it proceeds further. The answer to this question depends a good deal upon the kind of crop it handles. If it is grain, it may be brought to the society by the farmer or it may be collected by the co-operative itself. Very often, the grain received is passed on to the market or the co-operative may sell the same direct to mills or it may simply pass it on to a Region-

al Federation of which it is a member. If there is no regional co-operative and the crop goes to a distinct export market, the marketing co-operative may have to contact private brokers or adatyas or wholesalers or exporters of the particular commodity. Sometimes, there may be a Marketing Board which fixes prices and the quantities of the product to be exported. The newly started co-operative would certainly derive considerable assistance in working under the guidance of such a Board. The member delivering the crop to a marketing co-operative expects to be paid something on delivery, though he is prepared to wait for final payment until the crop is sold. In order to meet such demands, the marketing co-operative must put itself in possession of fairly large sums of money. This it can do by borrowing from a central financing agency or it can ask the member to go to a central co-operative bank with its receipt for the commodity delivered on the security of which he can obtain money which keeps him going till the co-operative has sold all the produce so as to begin paying its members.

(ix) *Methods of Handling and Paying for farm Products:—* According to the Report of the Corporative Planning Committee, there are three methods of handling and paying for farm products, followed by co-operative marketing societies, viz., (1) paying the farmer cash on delivery of his products which are thus bought outright; (2) paying the farmer what his individual products are actually sold for, after deducting the charges made by co-operative societies, and (3) paying the farmer the net pool price, after the products in the pool to which his were added are sold. The advantages of outright purchase for cash are :—

- (i) Falling in with the usual market practice ;
- (ii) The satisfaction of the farmer's need for immediate cash ;
- (iii) The elimination of the factor of uncertainty ;
- (iv) Meeting the competition of private traders who have a powerful appeal in their cash offerings ;
- (v) Increasing the society's volume of business more readily by purchase from non-members ;

- (vi) Better return to individual farmers for the superior quality of their products; and
- (vii) Reduction in the volume of work in connection with book-keeping.

One of the disadvantages, on the other hand, is that the society assumes additional risks of price fluctuations. These fluctuations follow no regular cycle and the amount of difference cannot always be predicted. The risk is specially large when prices are on the decline. The other disadvantages are the need for a larger working capital and the necessity for employing a higher paid managerial staff and weakening of the bond between a member and the society as soon as the price has been paid. In countries like Denmark and U.S.A. where co-operative marketing is most highly developed, the practice of outright purchases is rare and that of pooling and deferred payment common. The functions which a marketing co-operative should undertake depends upon economic possibilities of such undertaking. The failures of some co-operatives which found it difficult to resist the temptation of holding up produce in the hope of getting better price have emphasized the need for only undertaking the necessary functions. When the organization has gained sufficient experience and has accumulated sufficient reserves as well, it becomes qualified to take up new ventures. In the matter of holding up produce for a rising market there is a divergence of opinion among the authorities that have given thought to this question. The Survey Reports on the marketing of commodities like rice and wheat etc. issued by the Directorate of Marketing and Inspection indicate that because of the price differentials at harvest and at subsequent period, it would be preferable to hold over the produce from the market for a rise in price. The following extracts indicate opposite views on this problem. Speaking of the less perishable products, Clark and Weld write : "The extent to which less perishable commodities which are stored in periods of abundance to be held over until periods of scarcity can be sold at a more profitable price when stored by the association is a moot question. It is held by some advocates that when such products are "dumped" on the market soon after the harvest, they are necessarily sold at a low price because the supply is greater than the demand—meaning by "demand",

the immediate demand for processing or for consumption. But opponents of the plan maintain that there is a speculative demand at such times which tends on the average to raise prices to a point which gives the farmer as much as he can make by holding his products over. But whatever one's view on the advisability of holding products, if they are to be held, it is at least safe to say that the large association is likely to operate more intelligently and to obtain more favourable prices than will individuals or small local associations. The argument of those favouring such procedure is, briefly, that by studying the market to determine the best time at which to sell, and by controlling an appreciable part of the supply, such associations may intelligently regulate the flow of their products to market. This will both steady the market price and secure more satisfactory prices for the grower. Moreover, it is urged, risks can be reduced through more intelligent marketing and may be divided by means of pools. Likewise, when such a procedure is decided upon, the large association is in a better position to obtain the necessary funds with which to finance the growers while their crops are being held". (Vide page 564 of "Marketing Agricultural Products" by Clark and Weld).

Writing about the utility of a speculative market, Clark and Clark observe : "A speculative market is of great importance to the marketing of a seasonal crop consumed throughout the year. A large part of the grain and cotton crops, for example, is sold by growers in the fall. And if there were no speculators, the natural tendency would be for prices to drop very low at that time. Buyers would be unwilling, furthermore, to buy these crops without taking out a larger margin than they do. There is, however, a large number of speculative buyers who purchase grain futures at this time of year. These purchasers take the other side of the hedging operations carried out by merchants and mills who purchase heavy stocks for future use and sale. If prices tend to decline more than some speculators think conditions warrant or, more positively, if they believe or hope prices will go higher, they begin to buy as a speculation. Such buying tends to check the decline, and thereby to steady the price ; the purchases of speculators tend to increase prices and so to curtail present consumption, thus leaving larger supply for the future.

If prices go up, those who have been holding to sell at a higher price begin to sell and the rise is checked. But if the supply is large, the action of speculators in selling or in keeping out of the market forces prices down. In this manner consumption is encouraged and a glut in the market at a later time is avoided". (Vide page 534 "Principles of Marketing" by Clark and Clark).

In this context, the preliminary statutory report published by the Reserve Bank of India is equally illuminating and advises caution in the matter of holding up of produce for a rising market in the following words : "It is often argued that the most important factor which prevents the farmer from obtaining the full price for his crop is the fact that owing to the lack of holding power he has to sell his produce immediately after the harvest even though the prices may then be low, and there is a widespread sentiment that if the farmer could be helped to hold up his crop till prices improved, he would be greatly benefited. There are obviously two sides to the question. If a large portion of a crop can be held up in this way a decline in prices at harvest time might be prevented, but the produce must come on the market sooner or later. Storing means cost and risk of fall in prices and damage and these might more than counter-balance the problematical higher price than is anticipated. Without great skill and an intimate knowledge of the fact regarding the market demand for the produce, an experiment in holding up a crop might prove more harmful than beneficial and if it was attempted by the co-operative godown societies, which would not ordinarily possess these qualifications, it might involve them in serious loss'.

Coming to the methods of handling and paying for products, mentioned earlier in this paragraph, it may be stated that the practice of paying what is obtained on the sale of individual farmer's products has the advantage of obtaining for him the price which the quality of the product commands in the market. The further advantage is that the society is enabled to work with a smaller capital but it suffers from the disadvantages of the cost of the service to the farmer and the labour of book-keeping being increased. The third method, viz., pooling, enables marketing according to a well-defined programme, facilitates fin-

ancing, and helps a society operating on a large-scale to play an important part in fixing and stabilizing prices. It has already been pointed out that the ultimate objective of a marketing society is to persuade all its members to agree to pooling of their produce, so that the society might be able to discharge the functions of grading and processing of agricultural produce. If the society is to undertake grading, it is necessary that Government should place the services of an Inspector of the Agricultural Department at its disposal free of cost.

(x) *Processing—a function of a Marketing Co-operative.*—Processing is one of the important functions of marketing co-operative which is at present almost monopolized by private capitalists. Processing may take various forms such as cotton-ginning, paddy-husking, gur or sugar making, oil-pressing, decortication of groundnut, coffee-curing etc. A well established marketing co-operative which has gained sufficient experience and built up adequate resources can very well undertake processing as a side activity, if the middlemen's profits are to be diverted to the agriculturists with the financial assistance made available to it by Government, if necessary. When a co-operative sale society is unable to put up a processing plant, separate processing societies may be formed. It is not, however, easy to organize such societies, firstly, because a fairly large amount of initial capital is required to be sunk into fixed assets such as plant, machinery, buildings, godowns and other structures, secondly the promoters must be ready to provide enough volume of business to the society, thirdly, a large body of cultivators must be prepared to pool and grade their produce before processing is undertaken, and lastly, a sufficiently large number of agriculturists growing the crop to be processed must remain loyal to the society. In order to place such societies on surer foundations, certain preliminary enquiries will have to be made by the promoters or the organizer of such a society. The following are the points on which the probe is required :—

- (1) What are the economies anticipated ? What additional benefit will accrue to the cultivators and how ?
- (2) What would be the amount of capital that is required for the additional activities and what sources are going to be tap-

ped for the purpose ? Are the promoters prepared to collect a decent amount of share capital from among themselves ?

(3) If Government is prepared to provide the initial capital required, what is the exact amount that is going to be raised from the members ?

(4) Are there any processing plants working in the area, whether on individual ownership basis or otherwise ? What is their position in regard to the profit yield ?

(5) What is the total area under the crop to be processed for the purpose of feeding the plant ?

(6) In what way is the produce going to be secured ? and what control, if any, is proposed to be exercised over production activities ?

(7) Are communications good for carrying the raw material to the factory ?

(8) Is the necessary labour available and what arrangements are made to obtain expert advice ?

(9) What advantages of markets, raw materials and finance are available if the processing plant is located at the place proposed ? What other special facilities are available for setting up the plant at the place proposed ?

(10) Draw up a budget of the concern, proposed to be set up, giving an estimate of revenue and expenditure under various heads.

(xi) *Method of Sale* :—As far as possible, a marketing co-operative is well advised to effect the sale of produce of its members by public auction, and it is desirable to follow the closed bid tender system, if the produce to be handled is on a large-scale.

(xii) *Advances against the Pledge of Produce* :—A marketing co-operative may give advances to its members after keeping an adequate margin at the time the produce is delivered to it. The rate of interest, and the terms and conditions of such advances will be treated at length in the next chapter.

(xiii) *Integration with Credit Structure* :—Liberal finance for agricultural production should be made available by credit societies and for that purpose it is necessary to link up credit with marketing. Large-sized or small credit societies would collect the produce of their members as the agent of the marketing co-operative and send it to the latter for sale. If the members fail to bring their produce, they should be penalized by reducing the amount of finance to be granted to them for production by the co-operative credit societies.

Erection of godowns and provision of Transport Facilities

It may be desirable that a marketing society should build or hire godowns both for providing storage facilities to farmers and for stocking seeds, fertilizers and other production and consumption goods which are required for distribution to farmers, through the credit societies or otherwise. A marketing society will have to maintain motor trucks also to provide facilities of transport for the purpose of collecting produce for sale and for distributing agricultural requirements to farmers. It need not, however, establish a warehouse, as it would be able to take advantage of the warehouses established by the State Governments.

(xv) *Export, Import and Inter-State Business* :—For promoting export trade on a co-operative basis, primary marketing societies have to be grouped into regional federations as far as possible, in order to undertake the export of commodities locally grown on a large-scale. Until such federations are organized, the Registrar of Co-operative Societies should recommend to the Union Government the names of marketing co-operatives, the commodity or commodities handled by them and the extent to which they can export the various commodities. Co-operative marketing organizations should establish direct contracts with producers' and consumers' organizations in the same or other states with a view to reducing dependence on middlemen and intermediaries. The Registrar can very well assist the societies by compiling a directory of commodities handled by marketing co-operatives in his State and broadcast the same among co-operative consumers' organizations.

(xvi) *The problem of staff* :—It is quite important for a marketing co-operative to have employees who are honest and hard-working and possessed of the necessary technical skills. This subject has already been dealt with. Suffice it to say here that there should be a paid manager who must have received special training in marketing so that he could do his work efficiently. He may be one lent by Government or by a Financing Agency in the initial stages.

(xvii) *Board of Directors* :—The Board of Directors should consist of individual agriculturists, representatives of societies, and nominees of Government and the Central Financing Agency. The proportion between these representatives on the Board should be left to the discretion of the society, but due weightage should be given to the representatives of societies. The bye-laws may provide for co-option of one or two persons whose specialized knowledge in marketing would be useful to the society, but care should be taken to see that the co-opted director is not a trader.

(xviii) *Forms of Assistance required by a Marketing Co-operative from Government or other Bodies* :—If a marketing co-operative is to develop on right lines and rise to its full stature, it would require assistance, financial or otherwise, from Government or other bodies, as listed below :—

(1) Government should make contribution to the share capital of the society up to an amount indicated in the rural Credit Survey Report.

(2) Establishment expenses of Supervisory and Executive staff may be borne by Government for a period of three years in the initial stages.

(3) Free services of experts in grading and processing should be made available by Government, and Government godowns should be handed over on nominal rents.

(4) The Municipalities and the Local Boards should make available to the marketing society stalls in the markets for the sale of produce of its members.

(5) Definite quotas of wagons, refrigerated or otherwise, should be allotted to marketing co-operatives on a priority basis.

(6) Co-operative Sale Societies should enjoy priority and preference in the supply of their produce required by the military, the railways, the hospitals and the Government departments.

(7) Government should utilize the agency of the marketing co-operatives for the supply and distribution of the products manufactured in their factories.

(8) State assistance in the matter of construction of godowns and warehouses should be in the form of (i) free provision of land, (ii) grant of subsidy equal to 25 per cent of the cost of construction, (iii) grant of interest-free long-term loans equivalent to 50 per cent of the cost of construction.

(9) If and when Government purchases foodgrains and other agricultural commodities during a period of falling prices as a measure of price support, the co-operative agency should be utilized by Government for this purpose and remunerated for the service rendered.

(10) A definite percentage of export quotas should be reserved for the marketing co-operatives by the Government.

(xix) *Accounts, Records and Internal check* :—(A) *Internal Check*.—It is more important for a marketing co-operative to keep a clear and accurate record of all transactions that take place. A well-established co-operative must employ a properly qualified accountant and the requisite staff under him. The system of book-keeping in vogue would naturally vary with the size and volume of business handled but care should be taken to see that all the necessary registers and account books are kept to record the transactions from day to day. The books and registers that a marketing co-operative has to maintain, whether it is big or small, are listed below :—

- (1) Cash Book (columnar or otherwise) for smaller societies.
- (2) General Cash Book with subsidiary Cash Books for different departments or sections for bigger societies).
- (3) Goods Inward Register.
- (4) Stock Receipt Book and Cash Memos for Cash receipts.

- (5) Sales Register. }
- (6) Purchases Register. } to be subdivided according to
- } different commodities.
- (7) Loan or Advance Ledger against the security of goods.
(The is a combined form of a loan register and a loan ledger).
- (8) Cash credit ledger against the security of stock.
- (9) Auction Register (or a Bidding Book).
- (10) Patti Book showing details of goods sold and their value and deductions made therefrom and showing the net amount due to the member. This is otherwise known as Sales Slip Book also.
- (11) Deposit Ledger.
- (12) Share Ledger and Share Transfer Register.
- (13) Members' Register.
- (14) Trade Creditors' Ledger.
- (15) Godowns Register.
- (16) Tender-Sheet.
- (17) Marketing Panchayatdars' or Agents' Personal Ledger.
- (18) General Committee Proceedings Book and Managing Committee Proceedings Book.
- (19) Cash Balance Analysis Book.
- (20) Investments Ledger.
- (21) Deadstock Register.
- (22) Register for Stationery and other Stock.
- (23) General Ledger.

(B) *Internal Check*.—It is not an easy task to suggest a fool-proof system of internal check that would suit all concerns, irrespective of their size and strength of staff employed. Still, however, a brief outline of a system of internal check and safety measures that may be introduced in the working of a marketing co-operative is given below :—

Daily writing up of cash book and other registers as soon as transactions are closed should be insisted and the cash balance checked daily by a responsible official who has nothing to do with the writing up of the accounts. Surprise checking of books and verification of cash balances at regular intervals may be undertaken by one of the directors who may be paid an honorarium for the purpose.

(ii) Duties and responsibilities of the various paid officials such as the Secretary, the Manager, the Managing Director, in respect of transactions relating to cash and goods should be clearly defined in the bye-laws.

(iii) Security bonds for adequate amounts should be taken from all the members of the paid staff and they should be renewed from time to time.

(iv) It should be seen by some responsible official that all the registers, ledgers and other books are written up to date, as thereby the chance of manipulating the Books is minimized.

(v) A periodical verification by a responsible director is necessary to see if the advances made against the pledge of produce are within limits and are properly sanctioned by the Board. It should be further seen whether the margin has shrunk and whether goods have deteriorated. In the latter event, their early clearance must be insisted. It is important that all the goods offered as security are insured for their full value with an approved insurance company.

(vi) The limits of trade credits granted to traders may be verified from time to time to see that they are not transgressed and those only on the approved list are granted such credits.

(vii) When a marketing co-operative undertakes export and import commodities or is entrusted with the distribution work on a large-scale it is necessary that a Government Inspector should be attached to the society to see (a) if the work is done as per conditions laid down in the agreement with Government and (b) that the society itself is doing the work and has not transferred it to someone else.

(viii) Depreciation on Deadstock and other Articles or assets and shrinkage or shortage in stock should be verified by some responsible official from time to time before it is being allowed to be written off. Similar treatment should also be with regard to bad debts.

(ix) In order to reduce the possibilities of frauds remaining undetected for a considerable length of time, detailed audit by internal auditors every quarter should be insisted followed by a regular and punctual audit by the Government Auditors, once at least in a year.

The conclusions of this chapter may be best put in a set of words of advice to those wondering whether to start a marketing co-operative or whether one that has already started is going to fulfil their hopes (in the form of do's and don'ts). (Vide pages 78 79. "Coperative Marketing for Agricultural Producers" by Digby and Gretton).

(A) (1) Keep a definite objective in view before starting a marketing co-operative and base your oraganization as far as possible on commodity principle.

(2) "Begin simply, bind firmly and pay particular attention to strong finance".

(3) Tie all the members by enforcable contract and be sure that your society controls enough of the commodities so that it becomes a factor to reckon with in the market.

(4) Keep in touch with your members, apprising them of your activities from time to time by such means and measures are practicable.

(5) Select your members and the staff with care. Train the latter and pay them well.

(6) See that the duties and powers of the paid staff are properly defined and that they do not overlap.

(7) Keep always in view the principle of normal operation and normal risk.

(8) Let there be sufficient finance, efficient management and economical operation as your watchwords in the conduct of business.

(9) Introduce a proper system of internal check and see that it is rigidly enforced, so that responsibility can be fixed for acts of commission and ommission on the part of the staff. Get the accounts of your society audited punctually and regularly. Treat the Auditors and Inspectors as your friends from whom you can learn much.

(10) Always remain alert to adopt new methods and be ready to explore new lines of business which will help your members.

(11) Link up your society with other types of co-operatives, particularly consumers' societies, not only in our own area but in other regions as well, as there would be many interests common between you and them.

(B) (12) Do not start a marketing co-operative until a definite economic need is established, or some improvement in the existing system of marketing is required to be brought about.

(13) Let no one except the growers of a particular crop for whom the society is set up be admitted to membership. While enrolling members avoid fair-weather friends as far as possible.

(14) "Do not expect miracles in the first year. There are many things like weather, foreign markets, politics etc., over which you have no control. Do not lose heart".

(15) Do not seek to establish any monopoly of the commodity you handle nor try to control prices by creating artificial scarcity.

(16) Do not sell all the produce at one time nor to any one purchaser. Do not make outright purchases for an amount which exceeds your own owned resources.

(17) Do not try to operate on a large-scale at the very commencement before proper experience is gained nor to operate with two small a margin of profit.

(18) Do not divide profits up to the hilt, but conserve a part for meeting future contingencies.

(19) Do not grant trade credit to any one whose creditworthiness is difficult to assess. Do not show laxity in the recovery of credit granted.

(20) Do not violate sound business principles either at the time of making purchases of members' requirements or at the time of sale of their produce.

APPENDIX

The need for adopting Canadian features for development of Marketing and Purchasing Co-operatives in India.

Towards the end of 1953, the Indian Delegation to Canada headed by Shri M. R. Bride, I.C.S. the then Joint-Secretary in the Union Ministry of Food and Agriculture paid a three months' visit to Canada and studied important aspects of the Canadian Co-operative System of interest to this country.

In spite of the fact that conditions in Canada are very different from those in India, the Mission made the following recommendations for adoption in this country in regard to marketing and purchasing co-operatives :—

- (1) The system of preference shares may be introduced in marketing organisations, for raising capital especially funds needed for long-term purposes.
- (2) The system of revolving credit levied out of patronage dividend with-held for a specific period should be introduced in marketing co-operatives.
- (3) Big federations may be permitted to have full-time paid Presidents, Vice-Presidents or Directors.
- (4) Marketing contracts between the Marketing Society and its members for specific periods, regarding the delivery of produce should be tried.
- (5) Services of federations should be used for rehabilitating weak affiliated primaries by means of management and contacts as is being done in Canada.
- (6) Joint co-operative undertakings for the production of their requirements, by more primaries or federations than one or for processing of their members' produce, by more marketing associations or federations than one should be tried in India.
- (7) Marketing and Consumer Federations should try to establish effective contact between one another and with federations in foreign countries.

CHAPTER X

STATE-WISE REVIEW OF THE GROWTH AND DEVELOPMENT OF MARKETING CO-OPERATIVES IN INDIA

From what has been said in the foregoing Chapters it will have been evident that for effectively removing the various handicaps which an agriculturist-producer in India labours under in the marketing of his produce two remedies have been proposed viz. the establishment of co-operative producers' organisations otherwise known as marketing co-operatives and the establishment of regulated markets. It is proposed to deal with the former in this chapter.

Co-operative marketing of agricultural produce has made satisfactory progress only in a few States in the Indian Union like Bombay, Madras, U.P., etc. but much yet remains to be done.

I—Madras State :

Beginnings of the co-operative marketing movement in Madras

The earliest attempts to organize the sale of produce on co-operative lines combined with supply work were made in the State of Madras soon after the passing of the All-India Co-operative Societies Act of 1912 which permitted for the first time the registration of societies for purposes other than credit. The first society that was established was the Kumbakonam Agricultural Society. It was started for the purpose of joint supply of agricultural products, that is to say for the supply of seed, manure and agricultural implements and later on if and when practicable, to effect the joint sale of agricultural produce of its members. A few years later, credit societies with joint purchase of agricultural requisites and joint sale of agricultural produce as one of their objects were started. Special societies for the joint sale of paddy and other agricultural produce were also organised at about the same time. The Co-operative Department in Madras was re-

organised in the year 1925. The State was divided under the reorganisation scheme into 8 circles each of which was placed in charge of a Deputy Registrar who could devote more attention to the development of non-credit activities undertaken by credit societies and the development of non-credit societies themselves in the State. As a result of the official impetus this received a number of sale societies were established and their number stood at 38 at the end of the Co-operative year 1926-27 out of a total of 111 agricultural improvement societies. The common type of a sale society in Madras is a loan and sale society though a few types of special societies organised on commodity principle like the Kodur Fruit Growers' Society and the Nilgiri Potato Growers' Society are also found.

(2) The objects of a Loan and sale Society or a Co-operative Marketing Society are :—

- (1) To advance loans to members on the security of their produce.
- (2) To arrange for the sale of produce of members to the best advantage.
- (3) To rent or own godowns to facilitate the grant of loans to members, and the sale of their produce.
- (4) To act as the agent of society members in the matter of receiving for safe custody in its godowns or elsewhere, the produce pledged to such society-members by their individual members.
- (5) To purchase seed, manure, implements and other agricultural requisites for sale or distribution to members or to other co-operative societies.
- (6) To propagate and supply pure seeds.
- (7) To act as the agent for the joint purchase of agricultural domestic and other requirements of its members.
- (8) To disseminate among the members a knowledge of the latest improvements in agriculture by arranging actual demonstrations carried out by its individual member on his own land according to the advice of the Department of Agriculture.

(3) Area of Operation, Membership and Share Capital :—The headquarters and the area of operation of a marketing co-operative are decided with reference to local conditions. Important marketing centres are selected for locating the headquarters of marketing co-operatives. The area of operation normally varies with the kind of produce handled by them, e.g. the area of operation of a paddy marketing society is generally a taluka or a revenue Firka. In the case of a Commercial crop like groundnut or cotton, the area extends to a whole district or to the whole region where the crop is grown. Cultivators raising crops are admitted and village credit societies also are eligible for membership, as they constitute an important link between the central financing agency and the marketing co-operative in the scheme of financing the cultivation of the crop and its disposal. Agricultural improvement societies are also encouraged to become members because of their utility to their own members by linking their activities with those of marketing societies in the area. Merchants are, however, not entitled to be admitted as members. If the marketing co-operatives are to undertake functions such as transport, storage, grading, processing, etc., it is necessary that they should possess adequate share capital of their own. Every marketing society, therefore, aims at collecting a minimum share capital of Rs. 30,000/-. In order to build up adequate share capital marketing co-operatives in the State are advised by the Co-operative Department to collect from their members a small levy, say, 4 annas per cent of the amount of loans issued against the pledge of produce along with interest, rent and insurance charges, when the produce pledged is released.

Management

The management of a marketing co-operative is entrusted to a Committee elected by the members from among themselves. If the work of the manager is to be properly supervised or controlled and the marketing activities conducted or guided on proper lines, it is necessary that the marketing co-operatives should have on their Boards of Management persons having business talent. A small Sub-Committee may also be appointed to look after marketing activities from day-to-day and they may be paid a small remuneration for the work done from the commission earned on

sales. For the proper performance of the several functions which marketing societies are called upon to undertake, it is essential to have competent marketing and managerial staff having a knowledge of market conditions. Unless the societies build up business on a large-scale, the cost of really competent staff becomes prohibitive in the initial stages and that is how the State Government is helping them by lending the services of departmental officers free of cost or by making payment of small subsidies to meet the cost of staff employed. Societies are advised to employ only competent and picked men as business managers, when they appoint their own staff.

Borrowings

Marketing co-operatives can ordinarily borrow up to eight times their paid-up share capital and reserve fund. They are, however, permitted to borrow from the Central Financing Agencies in excess of this normal limit, provided the excess borrowing is against the security of agricultural produce pledged with them. These central financing agencies charge concessional rate of interest on such loans as they obtain funds from the Reserve Bank of India under Section 17 of the Reserve Bank of India Act, through the State Co-operative Bank for the purpose of financing agricultural operations or the marketing of crops. These loans are issued to the marketing co-operatives in accordance with the subsidiary rules framed by the Registrar of Co-operative Societies, Madras, in consultation with the Madras Provincial Co-operative Bank. The following subsidiary rules as recommended for adoption by marketing societies and central banks are given below :—

* Loans by Marketing Co-operatives to their members

(a) Every loan sanctioned by a marketing society to its members should be secured by the pledge of produce.

(b) The maximum credit limit fixed should not exceed 75 per cent of the market value in the case of foodgrains and 60 per cent in the case of commercial produce other than cotton, groundnut and betel-nut offered to be pledged as security for the loan. Advances on cotton, groundnut and betel-nut can be made only up to 70 per cent of the market value. If at any time during

* Based on information contained in the Manual for Co-operative Societies, Madras.

the currency of credit it is found that there has been a shrinkage in the value of that commodity against which the credit is sanctioned owing to any reason, it is competent for the society to call upon the member to furnish additional security to cover the short-fall in the margin. If he fails to furnish additional security within the time fixed by the society, the society is authorized to close the credit or the loan account and recover the entire amount from the borrower.

(c) The maximum limit of credit to an individual borrower should not ordinarily exceed Rs. 2,000/- but in exceptional cases, the limit may be extended up to Rs. 10,000/- with the sanction of the central financing agency. Subject to these conditions, an individual member may be allowed a credit limit which should not exceed 100 times the share capital actually paid by him.

(d) The produce pledged by a member shall be secured either in the society's godown or in other suitable godown approved by the central financing agency financing the society. In the case of a godown, rented by a member, a letter should be obtained from the owner of the godown to the effect that he has no lien on the produce stored in such godown and this letter should be filed along with the loan bond executed by the borrowing member.

(e) The Inspector in charge of Godowns should verify the produce stored in the godown and certify as to the correctness as to its quality, quantity and market value as stated by the borrower in the loan application. The society should secure the key of the godown before disbursing the loan.

(f) Where the produce is stored in improvised godowns (pits or pevas), the member is required to furnish two additional sureties or mortgage of immoveable property in the form of a continuing mortgage bond. The amount granted by way of loan against the security of produce stored in pits etc. should not exceed Rs. 3,000/-.

(g) where a guarantee is taken as in the case of turmeric, the guarantor also is required to join in the execution of the bond.

(h) The period for which the loan or credit is sanctioned should not ordinarily exceed six months. This period may, however, be extended up to one year in exceptional cases if the

commodities pledged as security can keep for a long time without deterioration.

(i) The loan shall be repaid on the due date after the expiry of the period of credit and the produce pledged as security released. A part of the produce may be released on payment of proportionate market value of the produce, provided the balance of the produce is sufficient to cover the amount of the loan. On the failure of the borrower to repay the loan on the due date, the central financing agency financing the society may compel the society to sell the produce and realize the loan.

***Loans and Cash Credits from Central Financing Agencies**

The marketing society may obtain cash credit accommodation from a central financing agency on the security of its general assets in order to be able to grant loans to its own members on the conditions referred to in Section I of these rules. The amount of cash credit sanctioned is fixed with reference to the requirements of the society, its resources and the degree of efficiency of its management.

(2) After the amount of cash credit sanctioned is fully drawn, a loan also may be obtained from the central financing agency to the extent of the amount drawn and the amount of the loan so obtained adjusted to the cash credit account, so that the cash credit account may be available for further draws.

(3) The total borrowings of the society both by way of loan and cash credit should not at any time exceed 100 times the paid-up share capital and reserve fund.

(4) The marketing society should execute a bond in favour of the central financing agency and assign the individual member's bonds also so as to enable the latter to proceed against the borrowing members for the recovery of its dues, if and when necessary.

(5) The marketing society is bound to credit all recoveries of loans to the central financing agency and it is prohibited from re-lending such collections.

* Based on information contained in the Manual for Co-operative Societies Madras.

Safe Custody of Produce

In order to secure for central financing agencies effective custody of the produce, minimising at the same time the inconvenience caused to marketing societies and their members the following rules are framed :—

(1) The produce pledged should be placed in the joint custody of the central financing agency and the marketing co-operative, whether stored in closed godowns or in open godowns belonging to the marketing co-operative. In either case the godowns should be maintained under the double-lock system, the key of one lock being kept with the marketing society and the key of the other with the central bank or its duly authorized agent.

(2) The marketing society should be primarily responsible for watching the goods or produce stored in godowns and any loss on account of theft, default, etc., should not affect the interests of the central financing agency.

(3) It should be open to the central co-operative bank to appoint one of its permanent employees as a godown inspector or in every society which has borrowed more than a lakh of rupees from it during the season. It would be his duty to regulate the deposit and release of produce and the produce should under no circumstances be released except under his authority. He would be absolutely under the control of the co-operative central bank and his salary may be borne either by the central co-operative bank or the marketing co-operative, or both.

(4) Where a godown inspector is in charge of a number of societies borrowing from the central bank up to a sum which is considerably less than Rs. one lakh, the maximum cash credit granted to a society would be Rs. 20,000/- and up to this limit the co-operative marketing society can grant loans to its members against the pledge of produce kept in its open godowns. It is open to the marketing co-operative to convert the amount drawn from the cash credit into loans on the pledge of produce kept in or transferred to closed godowns. In the latter event, one of the keys of the godowns would be handed over to the central

* Based on information contained in the Madras. Manual

bank if the marketing co-operative is situated at the headquarters of the central bank or its branch or to the duly authorized agent of the bank.

(5) The central co-operative bank should arrange for the inspection of societies having transactions below one lakh by appointing an inspector for a group of societies. When the business of a marketing society reaches Rs. one lakh, the central financing agency should appoint a godown inspector to be exclusively in charge of its godowns and this is one of the conditions to which a marketing society would have to agree if it requires finance from the central bank.

(6) The central bank should obtain adequate security from the godown inspectors. The security may take the form of personal security or fidelity guarantee.

(1) In case of non-combustible produce pledged as security for a loan exceeding Rs. 500 and combustible produce taken as security for any amount of loan, it should be covered by insurance against loss by fire.

(2) The produce should be insured for its full marketable value and the insurance policy should be in the joint names of the marketing co-operative and the central co-operative bank, the period of insurance corresponding with the period of repayment of the loan. In case of default of the loan at maturity, the society should get the insurance policy extended for the requisite period.

(3) When a marketing co-operative fails to effect an insurance of the produce in the first instance, or fails to extend the policy later, the central co-operative bank is competent to obtain a policy itself or effect an extension to it and debit the premium to the account of the marketing co-operative.

(4) Combustible and non-combustible goods should not be stored in the same godown, as the non-combustible goods are apt to be damaged. In cases where they are kept together in the same godown, the non-combustible goods should also be insured or the godowns should be divided into two compartments by fire-proof partition, the combustible goods being put in one compartment and the non-combustible ones in the other.

Control and Inspection by the Co-operative Bank's staff

(1) No loan is sanctioned by the Central Co-operative Bank unless the application for the loan is accompanied by a report from the Bank's representative recommending it.

(2) The report of the representative should contain details as regards the quality and the quantity of the produce pledged, its market value, the amount for which it is insured etc., and it should be accompanied by a certificate signed by him to the effect that the society has adhered to all the conditions laid down for the grant of a produce-pledge loan.

(3) Where the cash credit account is operated by means of a cheque, the cheque will not be honoured by the central bank unless it is accompanied by a certificate signed by the person authorized by the marketing society and approved by the central bank, stating the purpose for which the cash credit is drawn upon.

(4) The marketing society is required to send to the central bank at the close of every week a statement showing the kind, the quantity and the value of the stock on hand kept in the open and closed godowns and also the amount for which the stock has been insured. If the marketing co-operative is one, the turnover of business of which exceeds Rs. one lakh, the godown inspector in charge is required to countersign the weekly statements in token of having verified the correctness of the particulars contained therein.

(5) The bank's representative is also required to check up the stock every month and submit the statement in duplicate to the central bank.

(6) It is the duty of the central bank to arrange for the periodical inspection of the godown by one of the responsible officers at least once in every two months with a view to ensuring that the godown inspectors have been discharging their duties properly.

Verification of Stocks

The rules mentioned above are framed with a view to avoiding losses due to frauds. It is of the utmost importance

to central banks that have advanced large sums of money to marketing co-operatives for the grant of produce-pledge loans to watch the stock position from time to time and ensure that their monies are safe. That is why the central co-operative banks are advised by the Co-operative Department to obtain from marketing societies fortnightly progress reports showing full particulars in regard to loans issued on the pledge of produce and the value of stocks pledged by members. The office-bearers are required to append certificates to the progress reports that the loans are adequately secured and the certificates themselves are required to be countersigned by the godown inspectors. Periodical inspection of the stocks pledged by responsible officers of the central banks followed by the surprise test checks made by the officers of the Co-operative Department would go a long way in minimising the opportunities for frauds. Bye-laws of Loan and Sale Societies or Marketing Co-operatives provide that at the end of each quarter, stocks should be taken of all the produce in their custody after giving due notice to the members concerned, that the Board of Directors would be competent to fix the scale of depreciation to be allowed and that such scales would be binding upon the members. In order to prevent malpractices on the part of their staff and preventing members from questioning the correctness of the balances of their stocks held by societies from time to time, the following procedure is prescribed by the Co-operative * Department :—

(1) Every time the goods are lodged with or sold by the society or released to the member, the quantity so lodged, sold or released should be weighed or measured as the case may be.

(2) A bill showing such weighment or measurement and the stock held previous to the transaction and the stock held after the transaction as arrived at by calculation should be prepared in duplicate, and the duplicate given to the member and his signature obtained in original in token of acknowledgment.

(3) The society shall also take the acknowledgment of each member for service on him of the notice requiring him to be present either personally or through the agent for the quarterly stock-taking.

* *Vide Manual for Co-operative Societies, Madras.*

(4) If the quarterly stock-taking reveals in any case shrinkage or shortage to an extent greater than the scale of depreciation allowed under the bye-laws, the Board should at once investigate the reasons therefor and decide whether the loss represented by the extra shortage should be borne by the member or by the society, and such decision shall be final and binding on the member concerned.

Marketing co-operatives are advised to incorporate rules regarding the above procedure in their bye-laws.

Issue of Loans on the Security of Produce already pledged to Credit Societies and Prompt Issue of Loans

In areas where both the marketing co-operatives and the village credit societies grant produce-pledge loans, it is necessary for the marketing co-operatives to see that they do not issue loans on the pledge of produce that has already been pledged to the village credit society. They are, therefore, advised by the Co-operative Department to obtain certificates from the village credit societies to the effect that the produce offered as security is not already pledged to them. Marketing co-operatives are further instructed not to make loans as far as possible to merchants or commission agents who might use the credit so obtained for purchasing the produce from small cultivators. No doubt it is the object of the marketing societies to help the small ryots to obtain better price for their produce by organized marketing on co-operative lines, but where the small marketable surpluses of numerous small farmers are disposed of in the village itself, and where the middlemen perform their services economically and efficiently, there should not be a total ban on making loans by the co-operatives against the stocks pledged by them, as they are also rendering necessary marketing services in the movement of crops from the primary producer to the final consumer; if they get better terms in getting credit for their purchases, it is likely that they would pass on a fraction of the benefit to the small farmer also. In order to enable marketing co-operatives to make loans promptly on the pledge of produce, it would seem preferable to empower the responsible members of staff of such societies as may have given adequate security to sanction loans. In the case of a society where the secretary is an honorary worker, he may

be also empowered to grant loans up to the limits fixed by the Board against the stocks pledged, provided an indemnity bond is taken from him, making him responsible for such loans. It is the considered opinion of the author that insistence on this condition might be unfair to an honorary worker, as it is based on the assumption that he may abuse the powers vested in him. If the honorary worker is selected with care, the marketing co-operative should rest content with trusting him and in his good sense of duty to the society. As the loans are granted on the security of the produce, there is always the machinery of paid staff below him to take preliminary and other proper steps to see that the stocks are properly valued and that proper margins are kept and ultimately the loans are well-secured. The society either trusts him or does not trust him. If it trusts him and has faith in his *bona fides* in doing his work properly, there is no need to hold him personally responsible, in anticipation of abuse of his discretion or powers vested in him. There is also the further safeguard in that the loans so sanctioned are required to be placed before the meeting of the Board for ratification, or for such action as may be considered necessary. If, however, it is considered necessary that the power of granting loans on the pledge of produce should not be exercised by only one man, it is essential to provide for the delegation of the powers of the Committee or the Board to a small Executive Committee consisting of the Honorary Secretary or one or two members of the Board. Then the question of insisting on an indemnity bond from the honorary secretary would not arise.

Holding up of Produce for a better Market

It is of considerable importance for marketing societies issuing loans on the pledge of produce and providing godown facilities for the members so as to enable the latter to hold up produce for a better market, to study both the external and the internal markets from day-to-day and advise their members regarding the proper time at which their produce may be sold, because holding up of produce in the hope of getting a better price is not always safe and may at times land both the societies and their members in loss. "Without great skill and an intimate knowledge of the facts regarding the market demand for the particular produce,

an experiment, (in the opinion of the Reserve Bank of India) in holding up a crop might prove more harmful than beneficial, and if it was attempted by the godown societies, which would not ordinarily possess these qualifications, it might involve them in serious loss”.

Members' Contracts

If a marketing co-operative is to render various services such as assembling, grading, processing, storing etc. at a lower cost, so as to obtain better price for the produce, it is essential for it to get an effective hold over the bulk of the produce raised in its area of operation, and arrange it to be brought for sale after grading, processing etc. It is only when the volume is large that these services can be undertaken more economically. Thus a common feature of the working of marketing co-operatives in some of the foreign countries such as Denmark, or U.S.A., is a contract for a certain period entered into with each member binding him to deliver his produce-either all that he produces or a proportion of it based upon the amount of advance he takes from the society or the size of the farm. In some countries like Canada, and South Africa, legislation is resorted to for compelling even the non-member who remains outside the fold of the marketing co-operative to market or sell his produce through that organization only.

Linking up of Credit with Marketing

Finance is the cruz of agricultural marketing and it affects every phase of marketing which is the final stage of agricultural production. Unless finance for agricultural production is organized on efficient lines, it would be idle to expect that orderly marketing would develop. It is common knowledge that when a loan is taken from a village-moneylender, who often functions as a trader as well, it is laid down that the crop raised by the borrower be sold to him at a rate agreed upon beforehand or at the market rate at the time when the loan is granted or at a fixed amount, which may be less than the current market rate. Sometimes it is also stipulated that the repayment of advances taken should be made at the time of harvest with interest ranging from 25 to 50 per cent. Again it is the Adatya or the commission agent or Dalal

acting for a remote wholesale merchant or an exporter or a manufacturing concern, who makes loans to the agriculturist much in advance of the harvest. Thus the financier, whoever he may be, secures a grip on agricultural produce and the part which the co-operative agency plays in financing the agriculturist either for production or for the marketing of crops is negligible. The latest position as disclosed in the Report of the Committee of Direction on the All-India Rural Credit Survey is that the share of the co-operatives of the total agricultural finance required for the whole of India on an average has been 3.1 per cent, while the amount of finance supplied by the agriculturist and professional moneylenders is nearly 70 per cent of the total. Thus the agriculturist who receives the bulk of finance from the moneylender is not free to sell his produce to whomsoever he likes and to the best advantage, and he has necessarily to acquiesce in lower prices or underweight for his produce. When the produce is sold in the mandies or the larger unorganized private markets through the middleman, not only does the farmer pay for the services of the middleman but he is also subjected to a multiplicity of undefined market charges already referred to. With a poor record of the co-operative agency in the sphere of agricultural finance either for production or for marketing of crops, the various disabilities under which the farmer labours under in disposing of his crop have not entirely disappeared, and it has become difficult to break the grip which the trader-cum-moneylender and other middlemen have on the agriculturist. The effective way to break this grip lies in the linking up of credit with marketing and processing and other economic activities. So far the credit supply by the co-operative agency has tended to follow the ownership of land instead of being based on the produce of the land itself. A few of the comments on the performance of the co-operative system referred to in the All-India Rural Credit Survey report are briefly mentioned below :—

(1) At the present stage of its own development and even more so of the development of co-operative marketing, co-operation hardly shows any cognisance of produce from land as distinguished from ownership of land as an appropriate basis of credit.

(2) Another factor which tends to bias the system in favour of the big and large cultivators is connected with the "consumption" finance. Not helped with credit for subsistence till the harvest, the medium small cultivator has necessarily to turn from co-operative societies to other agencies of credit and that agency is generally the ubiquitous moneylender who does not mind whether the loans are for consumption or for any other purpose.

(3) We have here the curious position of co-operatives departing from co-operative principle : Where security is concerned, by adopting ownership as the basis, instead of personal character and repaying capacity and for their adhering to the principle where the exclusion of "consumption" as a purpose of credit is concerned. What is noteworthy is that in either case the result is a bias of co-operative credit system towards the big and large and away from the medium and small farmers.

(4) This limited advance is carried over from year to year and becomes in effect a limited permanent advance. It is unrelated to any productive purpose such as materializes for the cultivator in his annual harvest. That being so, the loaning system inevitably tends to neglect periodical recovery from the periodical income of the borrower. The system also divorces itself from need to stipulate, much less supervise any production purpose. The data strongly support the suspicion that purposes for which co-operatives gave loans were in many instances not those for which the cultivator utilized the borrowed amount. The authors of the Report further observe : "It would appear that the system of providing loans to the cultivator at the level of the primary credit societies is characterized by insistence on a form of security which results in credit aligning itself to ownership of property in deference to recovery, the failure to recover in turn leading to low turnover of funds. In attention to purpose, productive or other, and failure to relate recoveries to production, consequent on all these, both a tendency to be complacent about supervision and in actual fact, a very large lack of supervision and necessarily the mounting up of overdues, all these are the major features during the last fifty years which have established themselves in the system of co-operative credit. That the system as it has actually developed is not the same as the system that was designed by those who originally established it in India or even the same as

that which was still hoped for by those who reviewed it at all different stages, is of course very true. But that is a point which raises the whole question as to why design and development have so far diverged from one another in the record of co-operative credit in India. The fact remains, that system, as it now operates in regard to purpose, supervision, recovery, turnover and overdues, is not a system of credit which is likely to attract funds on its own merits and in the normal course of business". Thus if the traditional method of financing the cultivator in future is to shift from land to the produce of land itself, effective arrangements on a very large scale would have to be made for the handling of produce collected in repayment of loans due to co-operative societies in villages. Development of co-operative credit and marketing societies would have to be undertaken side by side, broadening the base of the primary credit society in the village at the primary level. Primary societies working within a radius of five to ten miles would have to be amalgamated to form a bigger co-operative organization designated as a Multipurpose society working in a minor market place or at the place where the produce is assembled in weekly bazars not only for the purpose of dispensing credit but also for undertaking the sale of produce or passing it on to another market centre where a taluka co-operative sale organization exists. Obviously the place where the multi-purpose society is to function will have to be selected with great care. Four or five multi-purpose societies operating in minor market centres in a taluq would act as feeders to the taluka co-operative sale organization which may be established at the taluka headquarters or a major market centre or a mandi where agriculturists normally take their produce for sale and where commission agents and merchants are engaged in the disposal of agricultural produce. There would thus be a well-knit co-operative sale organization at every mandi or a major market centre assisted by four or five multi-purpose societies affiliated to it and operating in minor markets. At each major marketing place or a mandi, warehousing facilities would have to be provided on a very large scale as well as in places where multi-purpose societies are functioning, as the main security for crop loans in the new set-up would be the produce of the land for the safe custody of which arrangements would have to be brought about. Thus credit dispensed through the multi-purpose

societies or broad-based village thrift and credit societies would be linked up with marketing. The enlarged primary units in villages catering for the needs of a few villages or multi-purpose societies themselves would finance the raising of crops on the security of anticipated produce and the credit thus dispensed would have to be not only a controlled one but would also have to be supervised at all the stages and recoveries watched. In order to see that borrowers honour their obligations in time, the scheme of controlled credit operating in the Madras State appears to be suitable. One of the main objects of the scheme which has been working successfully in most districts of the State is to ensure that crops raised with the help of loans from village credit societies are sold only through the marketing societies to which such village credit societies are affiliated. The details of this scheme have been described later in this chapter. Supervisors in charge of village credit societies that give loans under the controlled credit scheme are required to visit societies at the time of harvest and see that the produce which the members have pledged themselves to sell through the marketing societies is actually passed on to the marketing societies concerned either for sale or for obtaining loans on its security.

The Marketing Panchayatdars

In order to make the control over produce effective, one of the members of the Managing Committee of a rural credit society in the area of a marketing co-operative is selected and designated as the Marketing Panchayatdar. He should generally be one primarily interested in enabling the members to dispose of their produce and in assisting the society in the recovery of its dues. He is also admitted as a member of the marketing society on payment of at least one share. He functions as an agent of the sale society for the collection of produce of the borrowing members of the village credit society of which he is a member of the committee. The marketing society entrusts him with a stock receipt book, scales or measures and gunny bags. At the time of the harvest, he goes round the village and collects the produce from members after measuring or weighing it according to local usage or custom. The Panchayatdar issues temporary receipts from the printed stock receipts book given to him by the market-

ing society. The receipt issued by him contains particulars showing the date, the name and number of the member from whom stock is received, and the nature and quantity of the commodity such as cotton, groundnut or paddy and it is signed by him also. The stock receipt book is kept in triplicate, one copy being handed over to the producer, the second copy is detached and sent to the marketing society for information and the third copy being the marketing society for information and the third copy is kept for his office record; the produce is collected by the panchayatdar without quoting any price or the rate at which it will be sold by the marketing. After collecting the produce, the Panchayatdar arranges for carting it in convenient lots to the marketing society. The produce of one member is not mixed with that of another, and each gunny bag or consignment will bear some specific marks to identify it the special marks being noted in the receipts also. The marketing society will receive the produce, verify the quantity and issue an acknowledgment for the receipt of goods mentioned in the duplicate receipt issued by the Panchayatdar and sent through the cartman to the marketing society. The cartage is paid by the marketing society and duly apportioned later among the members whose produce has been brought to the marketing society. The amount of cartage is treated as a sort of advance recoverable from the sale proceeds of the produce. The marketing society will dispose of the produce when prices are most favourable and acceptable to the owners according to agreement between the members and the marketing society. The sale proceeds would either be remitted to the central bank to which a credit society is indebted or to the society itself direct. In either case, a statement of account showing sale proceeds realized, cartage paid, commission deducted etc., will be forwarded to the credit society with a copy of the same to the central bank. When the money is thus remitted to the society direct, the Marketing Panchayatdar will disburse the amount to members and obtain their acknowledgments and keep the same in the credit society. The credit society will acknowledge the receipt of remittance from the marketing society. In case the proceeds are remitted into the central bank by the marketing society, the central bank will appropriate the amount towards the loan borrowed by the credit society under intimation to it and the credit society will thereafter arrange to pay the members the

net amount due to them, if any, after deducting their dues. At the close of the year, the stock books of the Marketing Panchayatdar are sent to the marketing society for being audited by the Auditor appointed by the Marketing Society. The Marketing Panchayatdar should be sufficiently remunerated for his services, so that he might take a lively interest in the work. His remunerations can be met from two sources. The marketing society can pay him remuneration up to 50 per cent of the amount of commission earned on account of sale of produce brought with the help of the Marketing Panchayatdar. This payment would be reasonable, as the Marketing Panchayatdar is responsible for the increase in business of the society. The other source from which his remuneration can be paid is a net profit of the village credit society which elected him as such. Since the credit society would be enabled to recover its loans with interest in time and without difficulty on account of the service rendered by the Marketing Panchayatdar, it is reasonable that it should pay him for his services. The Co-operative Department has recommended that an honorarium up to 25 per cent of the net profits of the society would be a reasonable amount and that it should be based on a sliding scale with reference to the amount of collections effected by him by arranging for the sale of produce through the marketing society. The appointment of a Marketing Panchayatdar and his duty as also the remuneration payable to him should be properly provided for in the bye-laws of societies. It is further recommended that the Marketing Panchayatdar should himself disburse the loans under the Controlled Credit Scheme and supervise the uses to which the loans are put, so that he would have a better grip over the produce raised. The presence of a Marketing Panchayatdar is a healthy check over the members.

Marketing Services

If the system of making finance shifts to the produce of land from the land itself, and with the successful operation of the Controlled Credit Scheme, marketing societies will be called upon to handle a large volume of produce, but the advantage would be lost unless the marketing co-operatives undertake grading, pooling and processing activities, so that they might be able to secure appreciable increase in price to their members. It is impossible to expect uniformity of quality in the case of agricultural pro-

ducts, as conditions of production even in the same farm vary. Fruits of the same tree vary as to their size, quality, colour etc., as nature abhors uniformity. Thus the quality of agricultural products cannot be controlled. Grading, therefore, assumes a significant importance in the development of orderly marketing. Produce is graded, as already mentioned, normally according to size, appearance, weight, colour, taste, etc. and grade specifications differ from product to product. The various advantages that accrue from grading have already been set forth elsewhere. Successful and cheap grading would be possible, if the produce is of the same variety and of fairly uniform quality. In regions where such produce is available in adequate quantities, marketing societies should see that their members, when they deliver their produce, agree to its being graded and pooled. It is true that pooling of produce is the ultimate objective of a marketing society, if it is to discharge the function of grading ; but it must be remembered that if its members are to agree to the bulking of produce, they must be assured that price differences based on differences in quality of products pooled are not appreciable. This subject has already been dealt with elsewhere, and it is not necessary, therefore, to dwell at length on it here. Marketing co-operatives can count upon the help of the Agricultural Department, as it can be effectively given in the form of assistance of grading the produce. By undertaking the processing of produce of members before sale, the marketing societies would reduce the number of middlemen, so that a greater return to the producer may be obtained. The kind of processing activities the marketing co-operatives would be in a position to undertake would certainly depend on the nature of commodities they handle and the extent of financial resources they command. But if they decide to undertake such activities, the State would come to their aid by supplying them the necessary capital in accordance with the recommendations of the Committee of Direction of the All-India Rural Credit Survey.

* Method of Effecting the Sale of produce.

Marketing societies normally sell their produce to local commission agents and unless they establish direct contacts with the

* Based on information contained in the Madras Manual.

wholesale buyers in large consuming centres, they cannot derive the maximum price benefit. They are advised by the Co-operative Department to conduct their sales on fixed days and to intimate the fact in time to the wholesale merchants or wholesale co-operative stores, so that they might send their agents or representatives in time to be present at the time of sale. Marketing societies are also advised to adopt the system of sale by auction in preference to sale by private treaty and their auctions would attract big merchants who have entered into forward contracts with exporters or even otherwise the psychology of competition among the merchants who prefer to go in for big lots of produce operates in favour of the holders of produce. The produce of each member is kept in a separate lot and given specific marks or numbers and auctioned separately. The system of auction is of two kinds. One is the open auction system. Under this system the representative of the marketing society and the merchants wishing to purchase go near the lots to conduct the auction. The merchants bid openly and the price quoted is based on each unit of weight or measurement. The highest bidder knocks down the produce if the price is acceptable to the owner of the produce. The transactions are then put through in the auction register and the produce delivered to the purchaser on payment of the bid amount. In this system there are two defects—one is the possibility of bidders combining and forming a ring and offering low bids. But this move can be counteracted by the owner not accepting the amount of the bid. The second defect is that it engenders the spirit of unhealthy competition among the merchants and in the long run the merchants may even refuse to bid in order to show that there are no differences amongst them. The defects of the open auction system are sought to be removed by the introduction of the secret tender system. Under this system each merchant is given a tender sheet showing the particulars of the lots put up for sale, their stock receipt number and the quantity available for sale. The merchant goes round the yard, inspects the lots, examines the quality and quotes his price for the particular lot. He then deposits the tender-sheet into the box kept for the purpose locked and sealed. The box has a slit on the top through which the tender-sheets can be dropped. At the appointed time the box is opened and the tenders are read aloud to the merchants or their agents and to the owner of the produce. The

highest bidder knocks down the produce, provided the price is acceptable to the owner. If two or three merchants have quoted the same price for a particular lot, the sale is decided by drawing lots. The advantage of this system is obvious. A merchant quotes his maximum price he is prepared to offer, regardless of what others would offer. The sale of produce by auction generally fetches the maximum price to the producer-seller. The particular system to be adopted will generally depend upon the practice followed in the different market centres and marketing societies are reminded as far as possible to adhere to the market practice so as to meet the wishes of buyers.

Payment for products delivered by members

The Co-operative Planning Committee mentions that the following methods can be adopted by societies handling and paying for produce delivered to them by their members :—

- (i) Paying the farmer cash on delivery of his products :—

This is outright purchase ;

(ii) Paying the farmer what his individual products are actually sold for after deducting the charges made by the marketing societies—This is sale as agent ; and

(iii) Paying the farmer the net pool price after the products in the pool to which his products were added are sold—This is also sale as agent.

The advantages of outright purchase for sale are :—

- (1) Falling in with the usual market practice.
- (2) The satisfaction of the farmer's need for immediate cash.
- (3) The elimination of the factor of uncertainty.
- (4) Meeting the competition of private traders who make a powerful appeal to the customers by paying cash.
- (5) Increasing the society's volume of business more readily by purchase from non-members.
- (6) Better return to individual farmers for the superior quality of their products and the reduction in the volume of work in connection with book-keeping.

One of the disadvantages, on the other hand, is that the society assumes additional risks of price fluctuations. These fluctuations follow no regular cycle and the amount of difference cannot always be predicted. The risk is particularly large when prices are declining and it is important to remember that the benefits of co-operation are quickly forgotten but the losses haunt the memory. Other disadvantages are the need for larger working capital and the necessity for employing a higher paid managerial staff and weakening of the bond between a member and the society, as soon as the price has been paid. The practice of payment of what is obtained on the sale of individual farmer's products has the advantage of obtaining for him the price which the quality of his product commands in the market, and of the society being able to work with a smaller working capital, but it suffers from the disadvantages of the cost of service and the labour of book-keeping being increased and of being against an organized and orderly way of marketing. The third method, viz., pooling, spreads marketing risk, enables marketing to be undertaken according to a well-considered programme, facilitates financing and helps a society operating on a large-scale and to play an important part in fixing and stabilizing prices. It may, however, lead to speculative operations against which a co-operative society must be on guard. For full benefits being reaped from it, the society must have an expert and adequately paid manager. In countries like Denmark, U.S.A., and Canada, where co-operative marketing is most highly developed, the practice of outright purchases is rare and that of pooling and deferred payment common. Advance payments to relieve the farmer of his immediate need for cash are made under the deferred payment system and the amount of advance forms a certain percentage of the price which is based on quotations fixed by the Price Quotation Committees set up by the marketing societies.

The System in Vogue in Madras

The common practice followed by the marketing co-operatives in the Madras State is to act only as the agent of members in the disposal of produce and to charge a commission for services

*Based on information contained in the Madras Manual.

rendered. Any loss arising on account of sales is borne by the members concerned who authorise the societies in writing to act as their agent. Societies are also prohibited from entering into forward contracts with dealers without the express permission of the member or members concerned. Transactions put through on behalf of members are generally on a cash-and-carry system. Where the trade custom allows some days of grace for making payment of the purchase money, sales are made only to approved customers. A list of such customers is prepared by the Board of Directors of Societies and revised from time to time, after making confidential enquiries about their solvency. It may be noted that this system also is not entirely free from risk, despite the fact that trade credits are granted to merchants after making proper enquiries about their solvency and such lists of approved customers are revised from time to time. The fact remains that a merchant who is given trade credit and who receives the goods parts with the same in favour of a third party, and if in the meanwhile, the latter fails or becomes insolvent before making full payment, there is every possibility of the society being called upon to bear the loss on account of the trade credit being given and the grace days allowed before making full payment. So long as there is no system whereby trade credit could be fully insured against as in some other advanced countries, the risks implicit in the grant of trade credit and parting with the possession of the produce before full payment is made, cannot be entirely eliminated. In the Madras State, select marketing societies with share capital exceeding Rs. 20,000/- and which possess adequate storage facilities have been permitted to make outright purchases in pursuance of the recommendations of the Co-operative Planning Committee subject to the following conditions :—

(a) The total amount locked up should not at any time exceed the paid-up share capital of the society.

(b) Outright purchases should be effected only from members in respect of produce raised by them and for which the society can find a good market.

(c) Produce should be sold only for cash.

(d) Separate accounts should be maintained for the business done on outright purchase basis.

(e) 50 per cent of the profit earned on account of outright business should be set apart in a price fluctuation fund before net profits are declared.

(f) A Sub-Committee consisting of three members of the Board of Directors from among themselves be formed for the purpose of purchasing the produce at favourable prices.

(g) Proper subsidiary rules should be framed with a view to regulating the system of outright purchase.

The system of making outright purchases is still in an experimental stage and it can be extended to more societies in due course of time and restrictions relaxed in the light of experience gained. The business can be done of course under several safeguards, but it should be recommended that the system of outright purchases without corresponding hedge sales in the products that a marketing society handles might at times land the marketing society in difficulties. It may be noted that hedge trading is not available in the case of all agricultural products, as it is concentrated at a few large market centres and confined to a very few commodities. Without the system of hedge sales against outright purchases in the spot market, risks implicit in the business cannot be entirely removed. Even hedge trading itself is not a cent per cent guarantee against fluctuations in prices. Hence marketing societies are advised to go slow in the matter of making outright purchases and strictly within the limits indicated.

Storage Facilities

Lack of an adequate number of pucca godowns which are proof against dampness, rats and vermin, is responsible for the loss of a considerable portion of food-grains in the country. The absence of proper storage facilities stands in the way of extension of marketing credit. Marketing co-operatives usually take godowns on hire to keep the produce pledged, or permit the members to keep their produce in their own buildings. The amount of loans that can be advanced against the pledge of produce stored in such godown is not substantial. The need for pro-

viding suitable godowns was recognized by the Madras Government as early as 1927 and they agreed to give loans to such of the societies as agreed to construct pucca godowns. The loan to each society was limited to 50% of the cost of putting up a godown, but societies did not avail themselves of the financial help offered by Government, because they did not have enough financial resources to meet the remaining 50% of the cost. The maximum limit in the case of marketing societies was, therefore, raised to 75 per cent of the cost of construction. Marketing societies and rural credit societies are given free grants by Government on the following scale to implement donations, if any, they are able to raise from members and others residing in the area of their operation :—

(1) If the local collections come up to 50% of the cost of construction of the godowns, the other 50% will be given as a free grant.

(2) If the local collections amounted to 25%, a loan up to 25% and a free grant of 50% will be given.

(3) In the event of there being no local collections, a free grant of 50% and a loan for the other 50% will be given.

***Rules for the Grant of Government Loans for the Construction of Godowns**

Rules governing the grant are as under :—

(1) Only societies which issue loans on the security of agricultural produce or manufactured goods of their members or undertake to sell the agricultural or the manufactured products of their members or members of their affiliated societies are eligible for loans.

(2) (a) If it is a rural credit society, it is eligible for a government loan not exceeding 50% of the cost of construction of a godown.

(b) If it is a marketing society, the maximum amount of loan it will be entitled to get is not to exceed 75% of the cost. A society is eligible to get a loan only for building of pucca

godowns or for extending the godowns already owned by it. The amount of loans sanctioned can be drawn only after the society has spent its own contribution.

(3) Plans and estimates for godowns or extensions certified by a technically qualified person not lower in rank than a Draftsman of the P.W.D. would be submitted to the Registrar for his previous approval and should not be deviated from without his permission.

(4) When a society has been granted a loan by Government for putting up godowns, no other source should be utilized for the purpose.

(5) A loan sanctioned to a society is disbursed only in instalments as the construction work progresses. The society is called upon to furnish certificate to the Registrar to the effect that the work already done together with the value of the land is not less than three times the amount already drawn. In case of need, the Registrar can insist on an independent certificate being furnished from a supervisor of the P.W.D. If the whole amount sanctioned cannot be drawn in a particular year, the balance can be made available during subsequent year subject to the same conditions when the first instalment of loan is drawn.

(6) The loan bears interest for the entire period and shall be fixed at the time of sanction. The period of repayment shall be ordinarily 20 years but in no case shall the period of the loan exceed 30 years. For the first five years simple interest alone may at the discretion of the Registrar of Co-operative Societies be charged and thereafter the loan shall be repaid in equated instalments. On all overdue instalments a penal interest of $7\frac{1}{2}\%$ will be charged from the date of default to the date of payment.

(7) If in any one year the net profit earned by a society is less than the amount of instalment, the Registrar can permit the suspension of the payment of instalment subject to the condition that the suspended instalment shall be paid before the expiry of a specified period not exceeding five years. If in any future year or years the profit earned is sufficient to meet the instalment of that year and leave something more, 50% of such excess shall be paid towards payment of defaulted instalment instalments.

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(8) If in any year the repayment made by a society on the due date is in excess of the amount of instalment of the loan, such excess would be credited to the principal of the loan.

(9) If any sum is paid before the due date of the instalment, it will be credited first towards the interest which has accrued up to the date of payment and the balance, if any, shall be credited towards the principal. The society will be called upon to pay on the due date the balance of interest for the year, together with the balance, if any, of the principal for that year.

(10) When a society is in default either in respect of principal or interest, any amount paid will be appropriated first towards penalty leviable under the rules and then towards interest and principal.

(11) The godown or godowns for which Government loan has been sanctioned shall be completed within 12 months of the disbursement of the first instalment of loan to the society.

(12) Every society in receipt of Government loan shall agree to an inspection and valuation of buildings not only during the period of construction but also annually at the hands of a Government Engineer of rank not lower than that of an Upper Sub-ordinate of the P.W.D., free of cost to the society.

(13) If the Registrar so desires, the society shall agree to the godown being insured adequately against loss by fire.

(14) Every society in receipt of a Government loan shall mortgage to Government its right, title and interest in the building constructed out of Government loan inclusive of the site on which it stands. If the society is cancelled, the sale proceeds of the building will be in the first instance be utilized towards the repayment of the loan.

(15) Every society in receipt of Government loan shall furnish such information and submit such returns as the Government or the Registrar may call for from time to time.

(16) In the event of any society in receipt of Government loan failing to comply with the conditions on which the loan is given, the Registrar will have the power to close the loan and

recover the whole amount together with interest without reference to the period for which the loan was sanctioned.

Godowns built from the Groundnut Fund

The Government of India created in the year 1942 a Fund for the relief of cultivators growing groundnut. The cess collected from shippers representing the difference between the buying price of the Government of the United Kingdom and the current market price in India for groundnut was credited to this Fund. Grants were made from the Fund by the Government of India for financing schemes which benefited the groundnut cultivators directly or indirectly. As the construction of godowns for the storage of groundnut was held to fall under the objects for which the Fund was created, a part of the Fund was used in constructing pucca godowns in important market centres. In cases served by suitable marketing societies the godowns are in charge of the societies concerned and in other places they are under the control of the P.W.D. Societies have been permitted to use these godowns to store not only groundnut but other agricultural products as well, when groundnut is not available for storage.

Role of marketing Co-operatives in Agricultural Production

Because of their contacts with the cultivators, marketing co-operatives are well suited to undertake the distribution of agricultural requisities such as improved seeds, manures, steel types and axles for carts, implements etc., required for facilitating and increasing agricultural production. Village credit societies are encouraged to obtain in good time before the sowing season indents from their members for their requirements of seed manure, etc. and submit consolidated indents to the marketing societies. Marketing co-operatives arrange to purchase in bulk the quantities indented for by the credit societies and their own members from reliable sources and distribute the same among members. For these services the societies charge a small commission. They have also been permitted to make outright purchases of the agricultural requisites required by their members subject to the condition that the amount invested in such business shall not at any time exceed three times their paid-up share capital, and that 30%

of the profits-realized in the business be credited towards a specific reserve fund before the declaration of net profits. A few marketing societies own tractors also to be hired out to their members. The work in connection with the distribution of chemical fertilizers and iron and steel for agricultural purposes was transferred in the year 1950 from the Agricultural Department to co-operative societies. The wholesale distribution has been handed over to co-operative wholesale stores and marketing federations and the retail distribution is handled by co-operative marketing societies, agricultural improvement societies and well-managed rural credit societies undertaking multi-purpose activities. Marketing societies are taking an increasing interest in the distribution of compost manure also, with the gradual wearing away of prejudice against the use of compost manure on the part of cultivators. The sale of compost is subsidized by the Government of India at the rate of 12 annas per 50 cubic feet of compost actually applied to land under crops.

The Seed Multiplication Scheme

A feature of the working of co-operative marketing societies in Madras is the authority given to them for the execution of Seed Multiplication Schemes by the Agricultural Department. The lines on which these schemes were worked were roughly as follows :—

The marketing society in the area selected for working the scheme obtained from the Agricultural Department a certain quantity of pure seed and distributed it among selected farmers who were members of credit societies and who agreed to sow the seeds and harvest the crops in accordance with the directions of the Agricultural Department. The advances of seed were made on the condition that the cultivators agreed to sell to the marketing society the whole quantity of seed raised and approved of by the Agricultural Department as fit for sowing. The crops raised by the cultivators in receipt of selected seeds were supervised by the officers of the Agricultural Department and the seeds produced were sieved, dried and separately bagged and not mixed with the seed of the Agricultural Department. The credit societies in whose area of operation the seed farm cultivators resided financed them for cultivation expenses they incurred. The market-

ing society purchased the entire quantity of pure seed thus produced by paying a premium over the market price and made it available to the cultivators for seeding on a large-scale. Marketing societies in areas growing paddy sold the seed only as agents and did not make any outright purchases. Marketing societies working the scheme were given a guarantee by Government against loss accruing on account of seed remaining on hand unsold. These schemes were worked for some time in respect of cotton, paddy and potatoes in select areas and later the Agricultural Department itself took up the work to be done without the assistance of the co-operative agency. Still, however, some marketing societies distribute improved strains of seed even today.

Marketing Co-operatives during Second World War

The working of marketing co-operatives was seriously affected not only during the Second World War but also for sometime thereafter. The introduction of control orders, imposition of ban on the movement of produce and the setting up of the machinery by Government for the purchase of foodgrains told heavily on the activities of marketing co-operatives. Holding of produce in godowns as security for loans granted was also banned and the system of purchases through the Grain Purchase Officers of Government at controlled prices offered little inducement to the agriculturist-producer to hold the produce for a better price. As if to compensate them for the loss of their legitimate business marketing co-operatives were permitted in many districts to undertake the procurement of foodgrains on behalf of Government after making provision in their bye-laws for such purchases. Provision was also made for appropriating 75% of the net profits made in the business to a specific reserve to meet losses involved and depreciation. Wherever societies required funds in excess of their normal credit needs, the Registrar, Co-operative Societies, relaxed the credit limits under the general orders of Government. Many marketing societies did good business and after making the necessary contribution to the reserve fund, and dividend on share capital, they were able to pay out of their profit bonus to members in proportion to the value of foodgrains purchased from them.

Progress and Financial Condition of Marketing Co-operatives in Madras

The subjoined statement shows the comparative progress made by the Marketing Co-operatives in the Madras State for a period of five years ending with 30th June, 1954 :—

<i>Particulars</i>	1949-50	1950-51	1951-52	1952-53	1953-54*
1. No. of Sale Societies	270	274	291	286	120
2. No. of Members ...	1,80,091	2,29,579	2,37,030	2,50,771	1,24,085
(Amount in Lakhs of rupees)					
3. Paid up Share Capital at the end of the year ...	61.41	66.00	61.58	58.89	10.93
4. Loans and advances issued during the year ...	150.50	156.20	147.45	148.04	44.72
5. Value of Produce sold as owner ...	236.38	162.98	233.58	172.42	72.15
6. Value of Produce sold as agent ...	158.28	213.70	177.89	192.05	132.77
7. Value of seeds, Manures and Agricultural implements	98.98	166.00	123.85	116.50	63.35
8. Commission earned	—	—	4.15	1.26	2.09
9. Net Profit ...	—	—	5.89	1.89	2.04

(*N.B.—Figures for 1954 are for the Residuary State of Madras).

These figures indicate that membership and share capital have recorded satisfactory increases, up to the year 1953 though the number of societies is fluctuating. The increase in the number of societies and their members at the end of 1949-50 was largely due to the conversion of producer-cum-consumer societies in Krishna District into marketing co-operatives. Owing to the continuance of price and movement control and State-wide procurement of foodgrains during a greater part of the period covered by the Statistics, the cultivators did not feel the need to hold over their produce for better market through co-operative marketing societies. With the decontrol of foodgrains in the State towards the close of the year 1952, way was paved for marketing co-operatives to resume their normal activities. That explains the reason why the amount lent on the pledge of produce with a

view to helping the producers to get a better price has gone up to 148 lakhs, during the year 1952-53. This fact also explains as to why there has been a substantial reduction in the volume of sales effected as owner from 233 lakhs to 172 lakhs during the same year. Similarly the value of produce sold by the marketing societies as agents showed an increase of 15 lakhs during 1952 over the previous year's figure. The services of marketing societies have been utilised on an increasing scale for distribution of manure and agricultural implements in connection with the scheme of protective food production. The following statement shows the extent of business done during a period of five years ending with 30th June, 1954 :—

<i>Particulars</i>	<i>in Lakhs</i>				
	1950	1951	1952	1953	1954
1. Compost Manure Rs.	1.40	2.05	6.34	81.39	8.53
2. Chemical Manure other than Compost Rs.	9.14	84.29	46.12	59.67	22.01
3. Improved Varieties of Seeds	0.79	2.41	4.7	5.51	0.61
4. Agricultural Implements	87.65	77.23	33.93	50.49	32.21

Storage facilities are necessary not only at the marketing centres where the marketing co-operatives are situated but also at the villages where the thrift and credit or multipurpose societies function and make loans for raising crops and produce is collected in repayment of loans. The scheme sanctioned by the Madras Government in the year 1949 for the grant of subsidies up to the extent of 50 per cent of the cost of construction of godowns by co-operative marketing societies and rural credit societies continued to be in force. The following statement shows the extent to which these facilities have been available by the co-operatives during a period of four years ending with 1953:—

Marketing Societies				Rural Societies		
Year	No.	Free Grant	Loans	No.	Free Grant	Loans
		Rs.	Rs.		Rs.	Rs.
1950	3	18,500	21,300	26	81,324	59,310
1951	7	56,965	59,375	34	166,891	81,650
1952	5	48,110	30,510	23	117,763	36,500
1953	3	15,870	—	5	19,662	6,500

At the end of the year 1954, 38 societies owned 53 godowns. During 1953-54, 66 sale societies occupied 235 rented godowns and paid a monthly rent of Rs. 9,256. Out of the 10 godowns constructed by the Agriculture Department from the ground development fund 9 godowns continued to be in charge of sale societies during 1953. The existing storage facilities afforded by the sale societies have been found to be inadequate and the co-operative Department in the State is understood to have recommended to the State Government to increase the maximum limit of subsidy for the construction of godowns to Rs. 10,000 per each sale society.

Processing Societies

If the agriculturists are to derive maximum prices for their products, it is not enough for them to sell the produce through the co-operative marketing agency, but it should be pooled, graded and processed before sale. Pooling and grading are greatly facilitated if the agriculturists undertake the processing of their products. Thus they stand to pocket what the middlemen secure by way of gain through processing. Most co-operative marketing societies do not possess the processing plants. In the new set-up marketing co-operatives are given preference in obtaining or acquiring such plants with the introduction of the licensing system by Government. It is in this direction where Government subsidies, loans and contribution towards share capital would be required. This would be possible as soon as the National Co-operative Development Fund is established under the All-India Warehousing legislation. During 1953-54, 7 sale societies in the Districts of Malabar, Ramanathapuram, Tirunelveli, Tiruchirappalli, undertook processing activities such as coffee and aeracunut curing, cotton ginning, groundnut decortication and the total value of produce processed and the processing charges recovered were Rs. 8.64 lakhs and 23,640 respectively. Most of these societies are not having processing plants nor had they got sufficient financial resources to establish processing plants. So far the State Government also has not come forward to give any financial assistance for the purpose. The establishment of processing plants by co-operative sale organisations is an essential pre-requisite for

better marketing and in the new set-up visualised under the Second Five Year Plan the State Government will have to make available financial assistance for this purpose.

Export Trade

A noteworthy feature of the development of co-operative marketing societies in the Madras State is the export trade handled by them. During the year 1953, the Government of India reserved export quotas of 1,150 tons of onions and 240 tons of chillies in favour of the co-operative agency for the half year ending with 30th June. Seven co-operative sale societies and one co-operative wholesale store in the Cuddapah District were allotted export quotas out of the reservation. The Nilgiri Co-operative Marketing Society exported vegetables worth Rs. 77,206/- to Ceylon and earned a commission of Rs. 6,669/-. Other co-operatives exported 1,123 tons of onions and 76.5 tons of chillies out of the quota. During 1953-54, 735 tons of onions and 206 tons of chillies were allotted to the co-operative sale societies for export and 11 societies completed the export of 648 tons and 10 cwts. of onions and 184 tons of chillies at the close of the year 1954. There is an increasing demand from the Co-operatives for export quotas of chillies and onions which have good markets in Ceylon and Malaya. If a larger quota is reserved for co-operatives for the export of these commodities, growers would be greatly benefited as they would be able to obtain higher prices for their chillies. Since the middlemen's profits are more substantial in the export trade the existing trade channels press their claims on Government more effectively than what the agriculturists do.

The Controlled Credit Scheme

In order to ensure that credit granted is put to a productive and judicious use by the members of village credit societies a scheme known as the controlled credit scheme has been introduced in most of the districts of the State with a fair amount of success. The essence of the scheme is that the loan given to member of a rural credit society is recovered out of the income derived from the utilization of the loan. For this purpose the member is asked to execute an agreement to the marketing society

under which he agrees to sell his produce through the marketing society to which the village credit society is affiliated. The dues of the member to the rural credit society and to local land mortgage bank, if any, are recovered from the sale proceeds of the produce and the balance only is remitted to the member. Through the loan given to a member of a rural credit society co-ordination of the work of agricultural credit societies, the central bank, the land mortgage bank and marketing co-operative credit is linked with marketing. How the scheme is worked is briefly described in the following paragraphs:—

The Central Bank sanctions seasonal cash credits for raising commercial crops like cotton, groundnut, up to an amount varying from Rs. 100 to Rs. 2,000 or so for each season, viz., cotton or groundnut season, on the recommendations of the supervising union. Each member is granted by the village credit society coming under the controlled credit scheme for raising one of the commercial crops an amount of cash credit based on the acreage under the particular crop. Normally not more than Rs. 20 per acre in the case of cotton and Rs. 55 per acre in the case of groundnut is sanctioned to the member. The cash credit granted to a society for making crop loans is operated upon by means of cheques drawn by the Presidents of Rural Co-operatives. Before the account is allowed to be operated the cheques will have to be accompanied by advice slips signed at least by 3 Panchayatdars and countersigned by the Supervisor in charge showing the name of the borrower, the amount of the loan to be given and the acreage under cotton or groundnut; after satisfying itself that the cheques are all right, the Central Bank disburses the amount of the cheque. After disbursal it sends a copy of the statement of disbursements to the supervising union and the marketing society. The former watches the harvest and tries to send the produce to the marketing society for sale and the latter effects collections from the sale proceeds of the produce. In order to ensure that the harvest is raised from the finance made, the staff of the Supervising Unions inspects the lands proposed to be cultivated once before they countersign the advice slip and again at the time of the harvest. The work of supervising the cultivation for which finance is provided and seeing to the delivery of the produce to the marketing society or the village

credit society is very important for the success of the scheme itself, and the staff of the Supervising Union has to be quite alert in the matter. For this purpose each one of them is required to maintain pocket diaries separately for cotton cash credits or groundnut cash credits etc. These pocket diaries contain details regarding the amount of loan granted to each member in a particular society, the survey numbers in which the crop is raised etc. These pocket diaries are checked by the Secretary of the Central Bank at the time when the cash credit amounts are disbursed, and again at the time of the harvest by inspecting the fields. The officers of the Co-operative Department were also enjoined to verify the pocket diaries and inspect the fields off and on. Under this scheme loans are disbursed in cash by the primary village society for raising the crop and are repaid in kind at the marketing society's godowns, and the sale proceeds are made over by the marketing society direct to the central bank financing the cultivation of crops on behalf of the village credit society. The marketing society also maintains ledgers separately for cotton cash credits and groundnut cash credits which are exact copies of the accounts maintained by the central bank. When a borrower sends his produce for sale to the marketing society, the Officer in charge of the Godowns picks out the account of the borrower and deducts when the produce is sold the amount due from the member in respect of principal and interest from the sale proceeds and remits the amount to the central bank under intimation to the rural credit society whose account in the books of the central bank is correspondingly credited. The Officer in charge of the Godowns gives to the borrower a statement showing the amounts deducted under several heads, the quantity sold, the price at which sold and the balance handed over to him in cash. This statement will be produced by the borrower before the Secretary of the rural credit society who will credit the borrower's account with the amount of principal and interest and debit the account of the central bank in the Society's books. He would then issue the receipt of the society in exchange for the one granted to the borrower by the marketing society. The produce that is collected in the village is transported to the headquarters of the marketing society under the supervision of the Marketing Panchayatdar. The system of controlled credit described

above is successfully linked with marketing and has received support from many responsible quarters as being worthy of emulation elsewhere. There is nothing unusual in the scheme, as co-operative credit is not worth the name if it is not controlled credit. In theory at least in an ordinary agricultural credit society the procedure regulating the grant of credit requires that the need or purpose for which credit is asked for should be carefully scrutinized by the Panchayatdars whose main duty is to see that it is utilized for the purpose for which it is sanctioned. Further, the use to which the credit is put should be carefully watched from time to time and punctual recoveries insisted. The main object of the village credit society is also to educate members in the proper use of credit it gives and thus in theory at least the credit dispensed by village credit society partakes of the nature of controlled credit as distinguished from loans given by the moneylenders. The bye-laws of village credit societies also provide that loans should be made necessarily for productive purposes and that they should be called in case of misapplication and that each loan should be backed up by two or more sureties who are also expected to supervise the utilization of credit. In actual practice, however, societies are not so businesslike and do not work according to these principles. That is why the Co-operative Department in Madras introduced a system of controlled credit in most of the districts of the State and popularized it in areas where commercial crops are grown. The following statement gives details in regard to the working of the scheme in the State for a period of five years ending with 30th June 1954.

1949-50

Name of Produce			No. of Districts and No. of Societies working it	Amount of Loan issued.	Extent of land covered	Value of produce brought for sale
			58 Marketing Societies and 469 Rural societies	(000 omitted)	Acres	(000 omitted)
(1)	Paddy	...	—	146	4040	35
(2)	Ragi and Cholam	...	—	67	265	0.2
(3)	Groundnut	...	—	521	14738	971
(4)	Cotton	...	—	76	3464	232
(5)	Other Crops...	...	—	852	5095	3
				1662		1241.2

1950-51

Name of Produce	No. of Districts and No. of Societies working it	Amount of Loan issued	Extent of land covered	Value of produce brought for sale
22 Marketing Societies. 49 Multi-purpose societies. 418 Rural Societies.				
(1) Paddy ...	—	33	1531	12
(2) Ragi and Cholam ...	—	—	—	—
(3) Groundnut ...	—	785	12451	3030
(4) Cotton ...	—	60	1722	1409
(5) Other Crops ...	—	780	3023	950
			1558	5401

1951-52

44 Multi-purpose Societies. 402 Rural Societies. 20 Marketing Societies.				
(1) Paddy ...	—	2	17	
(2) Ragi and Cholam ...	—	4	162	11
(3) Groundnut ...	—	393	11 874	812
(4) Cotton ...	—	120	3859	230
(5) Other Crops ...	—	1621	5990	439
			2140	1492

1952-53

50 Marketing Societies. 485 Rural Societies.				
(1) Paddy ...	—	203	1970	57
(2) Ragi and Cholam ...	—	2	106	100
(3) Groundnut ...	—	468	14597	1273
(4) Cotton ...	—	157	4892	1039
(5) Other Crops ...	—	2010	7286	2272
			2840	4741

1953-54

Name of Produce	Amount of loans issued	Extent of land covered	Value of produce brought to Sale Societies.
	000 omitted	Acres	000 omitted
1. Paddy	96	1,611	3
2. Ragi and Cholam	6	324	—
3. Groundnut	181	4,559	832
4. Cotton	115	848	155
5. Other crops	712	2,774	1,542

These figures indicate that the value of commercial crops brought to sale societies for disposal considerably exceeded the amount of loans issued by the rural credit societies for raising the crops. According to the Administration reports of the Co-operative Department it is learnt that in respect of commercial crops, the controlled credit scheme has worked successfully, though during the years 1950 and 1952 the total value of produce brought to sale societies was considerably less than the amount of loans issued by the village credit societies. Though there was an appreciable increase in the amount of loans issued for growing paddy, the value of paddy marketed did not show a corresponding increase but on the contrary the value did not exceed even 30 to 35 per cent of the loans made. Thus in the case of paddy and cholam, the scheme has been a failure. This is due to the fact that the cultivators would dispose of their paddy or ragi or cholam in the local markets only, at favourable rates. Out of 254 Marketing Panchayatdars appointed by rural credit societies to collect the crops raised with the help of finance given and transport them for sale through the nearby sale societies, only 97 were reported to have been active and brought produce worth Rs. 22 lakhs only for disposal during 1952-53. The Societies in Coimbatore and Salem Districts are reported to have done good work in this respect. Out of 176 marketing Panchayatdars appointed by credit societies during 1953-54, 74 only are reported to have been active and have brought produce worth Rs. 5.75 lakhs to the societies.

In view of the shrinkage in the quantum of produce that was brought to the sale societies for marketing and the gradual decline in the number of Marketing Panchayatdars taking active interest in the scheme as compared to 1953, it is apparent that the scheme is not evoking as much interest as it did in the earlier years. This may be due to the inadequate amount of remuneration that is paid to the Marketing Panchayatdars. Again writing about the Controlled Credit Scheme the Rural Credit Survey Report observes (vide paragraph 20, page 108) "From the available information it appears that the scheme has not been working satisfactorily even in Salem District where it has been in operation for about 16 years. Of a total amount of about Rs. 55, lakhs advanced by the Central Bank of the District to the agricultural credit societies during 1951-52, only about Rs. 4 lakhs was stated to have been lent under this scheme; this is particularly surprising when one takes into consideration the fact that a rebate of one percent is given by the central bank on all loans under the scheme repaid through the sale of produce through the marketing societies and the further fact that the two marketing societies in the area are relatively flourishing institutions. It is also observed that only a small proportion of the amount lent under the scheme is repaid through the sale of the produce through the marketing societies; the bulk of it is paid direct by members to the primary credit societies. The co-operative agency has thus been unsuccessful in ensuring the loyalty of members in competition with mandis; This is mainly the result of the failure of co-operatives to provide adequate marketing and other facilities such as processing and storage, the cultivator thus being left with no alternative but turn to the private trader as an effective link with the organised markets."

Special Controlled Credit Scheme Rayalseema

Similar scheme for development, management and supervision of marketing societies in the Rayalseema was also worked under special staff of senior inspectors. 22 co-operative marketing societies worked the controlled credit scheme through 117 rural credit societies which issued loans to the extent of Rs. 1.09 lakhs, for the cultivation of groundnut, cotton and other crops on 1,624

acres of land. Produce of the value of Rs. 7.08 lakhs was sold through the co-operative sale societies.

Criticism of the Scheme

Commenting on the scheme, the Madras Committee on Co-operation made the following observations :—

(1) The co-ordination of the work of the central financing agency, the co-operative marketing society, the land mortgage bank and the ordinary village credit society as attempted is cumbrous and impracticable.

(2) The scheme is too highly centralized to have the educative value claimed for it. The centralized administration of the scheme will be an obstacle to the building up of an efficient continuous village co-operative credit system. A rural credit society offers certain intrinsic advantages. It is in close touch with the agriculturists, studies and understands their needs. If it is managed well, it can also see to the proper utilization of loans ; whereas in the dispensing of agricultural credit, the system of controlled credit introduced by the Co-operative Department would appear as a vain attempt to administer through centralization the work of canalizing credits and following up in all particulars the utilization of loans.

(3) The centralized administration and supervision are so expensive that the cost to the financing bank is greater than the amount receivable by way of interest on the loans sanctioned under the scheme.

(4) The co-operative principle of mutual supervision is rejected. Members and Panchayatdars are not made to feel the responsibility for their transactions, and societies, instead of being like organic wholes with policies and activities of their own, become 'agents of the central bank—channels for the distribution of money—which is allocated not by themselves but by the financing agency. They operate as mere cashiers rather than as autonomous bankers. It is true that the ordinary member of a village co-operative is ignorant and illiterate, but the point is whether it is wise to keep men in leading strings. It may mean less risk but it may

bar the way to the real progress of rural credit. If village co-operatives are not ripe for the purpose, it is essential that training and education should intervene. But such training is not achieved by the overhead institutions taking over the co-operatives' duties which would lead to their complete estrangement from their work. The Committee, however, concluded that in view of the fact that the scheme had been successfully applied in the case of commercial crops in 20 districts, it might be given a fair trial in suitable localities and modified in the light of further experience gained in its working.

Working of Some Important Marketing Co-operatives in the State

(A) The Nilgiris Co-operative Marketing Society: This Society was started with the main object of supplying manure to its members and marketing their produce such as potatoes, vegetables, etc. The Society had a membership of 3,167 with a paid-up share capital of Rs. 90,672/- as on 30th June 1953. During the year the Society sold manures and agricultural implements worth Rs. 2,64,228/- and Rs. 2,851/- respectively to its members. It marketed 628 tons of potatoes valued at Rs. 2,49,769/- and 75 tons of English vegetables worth Rs. 77,206/- and earned a commission of Rs. 6,828/- and Rs. 6,669/- respectively. As the affairs of the Society were not satisfactory, its Committee was suspended during the year 1950-51, and it continued to be managed in consequence by a Special Officer of the grade of a Deputy Registrar during the year 1953. A special feature of its working was that it prepared potato manure according to Nanjanad formula. It distributed to the potato-growers manure at prices much cheaper than those charged by commercial firms. During 1953 it sold 903 tons of Nanjanad mixture worth Rs. 2,64,228/-. It worked the controlled credit scheme through 22 selected rural credit societies. It earned a net profit of Rs. 11,794 at the end of the year 1953. During 1953-54 the society sold manure and agricultural implements valued at Rs. 6.07 lakhs and Rs. 0.5 lakhs respectively. 1,200 tons of potatoes were marketed as the agent of its members and it realised a commission of Rs. 13,103. It exported to Ceylon vegetables worth Rs. 32,710 and earned a commission of Rs. 2,745.

The society was working the controlled credit scheme through 36 selected rural credit societies and 14,128 bags of manure of the value of Rs. 4.94 lakhs were distributed to the societies and 7,561 bags of potatoes were brought by the members to the society for sale under the scheme. It continued to be in charge of a Deputy Registrar of Co-operative Societies as Business Manager.

(B) The Malabar District Produce Sale Society : The society was started with the object of helping the coconut-growers at Kurumbranad Taluq to market their produce after conversion into copra. At Badagara it has suitable godowns and a copra yard and was able to influence the copra market. But it has no facilities to dry copra during the rainy season. In order to overcome this drawback and to render marketing facilities to the producers throughout the year the society took steps to set up a hot air kiln, as suggested by the Indian Central Coconut Committee. The Committee sanctioned a subsidy of Rs. 12,000/- to the society for the installation of the kiln. The society also handles other produce such as coffee, ginger and pepper. The bulk of its business is done through its Kalpettah Branch in Waynad Taluq where it has two godowns. The society has also put up coffee curing works at Kalpettah and has imported the necessary machinery from foreign countries, constructed a pucca engine shed and installed the coffee roller and grinder worked by oil-engine at a total cost of Rs. 70,000/-. The society has been licensed as an 'A' class Agent of the India Coffee Board and Rs. 4.75 lakhs worth of coffee was cured and graded during the year 1952. This society also distributes chemical fertilizers and agricultural implements.

(C) The Tirupur Co-operative Cotton Sale Society, Ltd. : This society was started in the year 1921 with an area of operation extending to the Coimbatore and Nilgiri Districts and to a few talukas of the Salem, Madura and Trichinapoly Districts. The objects of the society are those that a Marketing Co-operative has under normal circumstances, and in addition, the society has provided for making outright purchases of lands, constructing buildings, bunds, digging wells and for undertaking to run a model agricultural farm to educate the members in the improved methods of cultivation. It had a membership of 3,955 individuals

and 95 societies with a paid-up share capital of Rs. 44,517/- as on 31-1-1955. The main business of the society is to sell kapas of the members at the most favourable prices on an agency basis and it also provides godown facilities in the market yard, to store the members' produce. The quantities of unginned cotton received by it for sale together with their value are given below :—

Year		Pothies of 280 lbs.	Value Rs. lakhs
1949	...	5120	6.80
1951	...	4576	4.88
1954	...	3939	4.18

The society charged Rs. 2/- per pothy of 280 lbs. as commission inclusive of kalas wages and godown rent. Kalas wages and godown rent alone amounted to As. 5. Thus the commission amounted to Rs. 1-11 per pothy. If the stocks in the godown are kept for more than one month, a godown rent of As. 4 per pothy per month is charged extra together with insurance charges at As. 2 per cent of the value of stock. The total resources of the society aggregated Rs. 11 lakhs as on 31-1-55 and its reserves alone amounted to Rs. 8,30,236/-. The Society was entrusted by the Government of Madras with procurement and distribution of foodgrains. Even though all controls over foodgrains were removed, this society has been the custodian of the huge reserve stocks of foodgrains stored on behalf of Government. Thus it had in its godowns 11,200 tons of rice and paddy of the value of Rs. 34 lakhs on Government account. The society was, therefore, able to make good profit out of this business, so as to enable it to build a business reserve of Rs. 5,48,754/-. The society makes loans to its members against pledge of produce up to the maximum of 50 to 70 per cent of the value of produce, subject to the condition that no one individual borrower obtains a loan exceeding Rs. 20,000/-. The interest charged is 7%. It made a total advance of Rs. 2,18,000/- to its members during the year 1954. The society also owns two tractors with necessary agricultural implements and tractors are purchased at a cost of about Rs. 53,600/-, for being let out for hire to the agricul-

turist-members for deep ploughing, and for transporting silt from tanks. A special feature of the working of the society is that it has constructed from its common good fund a public bath room for ladies at a cost of about Rs. 16,500 in Tiruppur. The society is also contemplating the purchase of a suitable block of about 200 acres for its model farm. There is also feeder society working under the name of the Tiruppur Cotton Growers' Co-operative Society, Ltd. It was started in the year 1933 with the object of making crop loans to the cotton cultivator. A sum of Rs. 60 per acre of garden crop and Rs. 20/- for dry crop is advanced to an individual as loan subject to a maximum limit of Rs. 1,000/-. The rate of interest charged is 6%. The loan is advanced on the condition that the crop should be sold through the Sale Society. Supervisors are appointed by the society in order to see that the members bring their produce for sale through the Sale Society.

(D) The Sugarcane Growers' Societies and a Co-operative Sugar Factory : On 30th June 1950 13 sugarcane growers' societies and unions were functioning in the State. They had a membership of 8,699 with a paid-up share capital of Rs. 2 lakhs. 5,550 tons of sugar-cane valued at Rs. 4.56 lakhs were cultivated by the members, out of which 1,700 tons of sugarcane of the value of Rs. 1.28 lakhs were supplied to the sugar factories working in the area. The societies issued loans to the extent of Rs. 10.80 lakhs to their members. In order to assist the sugarcane-growers' societies in the maintainance of their accounts and as liaison officers between the societies and the sugar factories, Government sanctioned a special staff of one senior inspector, one clerk and a peon for Vishakhapatnam District. The sugarcane-growers' societies are making steady progress and at the close of the co-operative year 1952, 69,042 tons of sugarcane were cultivated by the members out of which 41,343 tons of the value of Rs. 13.25 lakhs were supplied to the sugar factories in this area.

(i) *The Etikoppaka Co-operative Agricultural and Industrial Society, Ltd.* :—It is the only society in the Vishakhapatnam District that has continued to run a sugar factory of 75 tons daily crushing capacity. It had a paid-up share capital of Rs. 3,19,883/- on 30th June 1950. During the crushing season

1949-50, the Factory worked for 105 days and 6,196 tons of sugarcane were crushed, producing 543 tons of sugar. The percentage of recovery of sugar was 8.77. The recovery was low partly due to the poor quality of sugarcane affected by the cyclone in the Circars and partly due to the vacuum trouble in the machinery during the peak period of the season. The society contemplated, therefore, setting up a large factory of 600 tons crushing capacity. It had to give up its original proposal for the import of machinery from the United Kingdom because of the prohibitive cost of the plant involved and the delay in its transport. It selected in consequence a second-hand plant at Piprach in Western Uttar Pradesh. It obtained a loan of Rs. 20 lakhs from the Madras Provincial Co-operative Bank towards the cost of machinery and construction of the new factory. The society finalized the purchase of the second-hand plant for Rs. 18.25 lakhs during the year 1950-51 and dismantled the entire plant and machinery and transported them to its own factory site. The crushing capacity of the plant is 600 tons per day. The installation was completed during 1951-52 and the new plant crushed 772 tons of cane valued at Rs. 36,783/- and produced 40.8 tons of sugar. The old factory worked for 171 days and crushed 9534 tons of sugarcane worth Rs. 3.57 lakhs and produced 879.7 tons of sugar valued at Rs. 6.54 lakhs. It obtained an additional loan of Rs. 8 lakhs during the year from the State Co-operative Bank. During the off-season it contemplates converting palmyra jaggery into refined sugar after effecting the necessary changes in its machinery. On 30th June 1953, the society had 1420 members with a paid-up share capital of Rs. 6,74,196/-. The old factory at Etikoppaka worked for 29 days during the season and crushed 1493 tons of sugarcane worth Rs. 67,307 and produced 164.3 tons of sugar. The new factory set up at Darlapudi with the plant purchased at Pipriach worked for 54 days during the season, and crushed 16,373 tons of cane valued at 5.69 lakhs of rupees and produced 1,612 tons of sugar. The society earned a gross profit of Rs. 2,32,459 and the net profit amounted to Rs. 42,733.

(ii) *Fruits and Vegetable-Growers Marketing Societies* :—

There were 14 societies of this type at the end of the co-operative year 1953. They had a membership of 3,521 with a paid-up share

capital of Rs. 95.813/-. Loans to the extent of Rs. 1.15 lakhs were issued to the members, by some of the societies in Rajmahendry and Vishakapatnam Districts. The value of fruits marketed by them during the year was Rs. 1.73 lakhs and the amount of commission earned was Rs. 8,169. They also supplied manures, seeds and other agricultural implements to their members. Of the 14 societies the one working at Kodur had achieved some substantial results in the past, though its affairs are at present in a bad condition. At the close of the co-operative year 1953, it had a membership of 1798 with a paid-up share capital of Rs. 44,558/-. It marketed fruits valued at Rs. 77,313/- earning a commission of Rs. 4,270/-. It had a reserve fund of Rs. 77,246/-.

Marketing of Palm-Jaggery

The drive initiated for the marketing of palm-jaggery through co-operative societies in the State was continued and it is reported that 34 per cent of the output of Jaggery was marketed through co-operative societies. The quantity and value of palm-Jaggery sold through Primary Jaggery Manufacturing Co-operative Societies and marketing societies are given below :—

	Quantity in maunds (in lakhs)	Value in lakhs of Rs.
1. Through Jaggery Manufacturing Societies	10.02	44.82
2. Through marketing Societies	0.75	3.27

There were four marketing federations in the State one each in the districts of Tirunelveli, Coimbatore, South Kanara and Ramana-thpuram. Similar federations are being organised in the three districts of Salem, Chingulput and Tanjore. The activities of two of these federations are described below :—

(1) The Tirunelveli District Jaggery Co-operative Marketing Society : At the close of 1954 the federation had a membership of 248 individuals and 248 primary Jaggery societies. It purchased 46,320 maunds of Jaggery valued at Rs. 3.64 lakhs and sold 46,962 maunds of jaggery for Rs. 4.44 lakhs. It continued to undertake marketing of palmyra fibre stalks and leaf pro-

ducts. It purchased palmyra fibre, stalks and palm leaf products of the value of Rs. 1.09 lakhs and sold them for Rs. 1.22 lakhs. It secured an order from the U.S.A. for supply of 30 tons of palmyra stalks and exported the entire quantity. It also exported to Ceylon 423 tons of palmyra jaggery up to 30th June 1954 out of the quota of 15,000 tons allotted to it for export. During 1954-55 it received an export quota of 350 tons of jaggery. The society took part in All-India Khadi and Village Industries Exhibition held in New Delhi in April 1954 and in the All-India Khadi and Swadeshi Exhibition held in Madras.

(2) The South Kanara District Cocoanut and Palmyra Jaggery Co-operative Marketing Federation : This federation started work in 1953. It had on its rolls 97 societies and 5 individuals as members with a paid share capital of Rs. 18,490. It sold 11,186 maunds of Jaggery for Rs. 64,120 and earned a commission of Rs. 4,000 half of which it passed on to Jaggery Manufacturing Co-operative Society. In order to help the society in its activities the Co-operative Department in the State is reported to have requested the State Government to sanction one Senior Inspector free of cost and a subsidy of Rs. 4,400 for the purchase of furniture, scales, weights, etc.

Co-operative Marketing Federations

A co-operative marketing society operates within a small area and handles comparatively small volume of produce and as such it lacks contact with the wholesalers or manufacturers. Ordinarily it does not do large scale marketing because it does not possess the requisite knowledge of the factors of supply and demand for the products it handles. In order to overcome these handicaps marketing federations have been established in the State in a few important marketing centres. The idea behind the establishment of these federal organizations is that both individuals and societies should be members and that the primary society within the area of their operation should assemble, store and grade the produce of their members in order to enable the federations to market such produce either in the district or outside it, the primary societies mainly functioning as supply units. The objects as provided for in the bye-laws of co-operative marketing federations include the co-ordination of the activities of the primary units, arranging for the sale of produce held by such

primary units either to outsiders in deficit areas or within the district, informing the primary units of the trends of market prices and conditions and securing for them marketing intelligence and arranging for the processing of products as well before sale, if and when necessary. If the individual members of a federation bring produce for sale, they are permitted to market the same. The marketing federation usually enters into contracts with the outside purchasers or co-operative consumers' wholesales in the State for the supply of products in consuming centres. But before doing so, they should assure themselves of a regular supply, as otherwise it might happen that in order to fulfil their own obligations under the contract, they would be required to make outright purchases in the market if the primaries on which they rely fail to provide sufficient volume. In order to meet such contingencies marketing federations are permitted to make outright purchases up to three times their paid-up share capital. Marketing federations are permitted to borrow up to ten times the paid-up share capital and the reserve fund but they are not permitted to issue loans against the pledge of produce, as it is a function of primary marketing societies and the village credit societies. But there is one defect in this system, that is if individual members are in a position to effect sale of produce through the federation, there seems no objection to make loans against the produce pledged with it by the individual members pending its sale. During the continuance of War the system of purchase and movement of foodgrains brought about closer business relationship between marketing federations and the central wholesales in a deficit district in the State. For example, the Tanjore Co-operative Marketing Federation sold rice under the instructions of the Government Grain Purchasing Officers to the Central Stores in the Coimbatore, Salem and Malabar Districts. This relationship needs to be strengthened if a co-ordination of producers' and consumers' interests is to be brought about within the co-operative movement. There were three Co-operative Marketing Federations in the State at the end of the co-operative year 1952-53 : of these the Tanjore and the West Godavari Co-operative Marketing Federations did substantial business. The Tanjore Co-operative Federation had 96 societies and 475 individuals as members. Its paid-up share capital stood at Rs. 1,12,383/- ; during the year it procured paddy

valued at Rs. 33.68 lakhs and sold paddy worth Rs. 55.24 lakhs. It also distributed chemical manures worth Rs. 13.97 lakhs and sold agricultural implements of the value of Rs. 3.64 lakhs.

*Co-operative Milk Supply Societies and Unions

Dairying is an important industry subsidiary to agriculture. In this country it is relatively underdeveloped and unremunerative also. The average milk yield of a cow in India is estimated at 413 lbs. as compared with 7,658 lbs. in New Zealand, 5,291 lbs. in Denmark and 4,408 lbs. in Canada. The average yield of milk of a she-buffalo in India is 101 lbs. The total net milk produced in the Indian Union is estimated in the neighbourhood of 4,816 lakhs maunds valued at Rs. 354 crores. The position as regards consumption of milk is also unsatisfactory. The average daily *per capita* consumption works out to 5.4 oz. This includes the quantity consumed both as fluid milk and as milk products. Though milk is an important source of proteins in the diet of the people who are mainly vegetarian, many people cannot afford to purchase milk and the rate of consumption varies in different parts of the country. Saurashtra tops the list, its *per capita* consumption being 18.78 oz., while in Madras it is 3.60 oz. This rate of consumption compares very unfavourably with that in some foreign countries like U.S.A., Denmark and Great Britain, where it is 35.6, 40.3, and 40.7 oz. respectively. This unsatisfactory position both in regard to production and consumption is due to the deterioration in the cattle population of the country. The animals are often ill-fed and not well cared for. 95% of the milch cattle in India are owned by men of limited means. Production of milk is carried on in small units and in scattered homesteads. Milk being an easily perishable commodity, the difficulties involved in collecting small quantities and transporting the same to urban centres for distribution are very real. Many city municipalities have laid down rules prohibiting the keeping of cattle on a large scale within the city limits for reasons of public health, but the question of evacuation of cattle from cities cannot be effectively solved unless satisfactory arrangements are made to station the animals outside the cities and to provide for transport of milk from there.

* Based on information contained in a paper contributed to Bombay State Co-operative Conference, 1953.

(ii) *Organization of dairy industry on co-operative lines :—*

Past experience has shown that co-operative organization is the best suited for bringing producers of milk together in an association not only for making their surplus milk available for consumption to city dwellers but also for augmenting their income. The main objects of co-operative effort in this direction are firstly, to obtain an adequate supply of wholesome milk drawn under hygienic conditions at a reasonable price to the urban consumer and to secure a fair return to the producer for the milk produced by him. Production and handling of milk are also supervised by the staff of the societies, subject to the control of a Department of Government. It may be noted that the co-operative method has been successfully applied in foreign countries, e.g., in Denmark 90% of the total production of milk is handled by co-operatives. In U.S.A. the dairy marketing co-operatives led all other groups of marketing co-operatives for a decade ending with 1945-46. According to the estimates made by the I.L.O. in 1945 the dairy marketing co-operatives represented more than 62.1 per cent of all the European marketing co-operatives. The early beginnings of co-operative effort in dairy industry in India could be traced to the organization of a milk supply co-operative in Bengal in 1917 followed by Madras nine years later. It was during the period of the World War II that the problem of milk supply to urban areas came to the fore. It was already acute in the country even before the War and the position deteriorated further during the War. There was a great demand for milk from the Military and the Civil population. As the supply could not equate demand due to slaughter of milch animals, prices of milk rose abnormally on account of high prices of cattle and cattle feed and continued to remain at a high level. Co-operative milk supply societies working on a modest scale prior to the War grew, therefore, in number and recorded substantial progress in the States of Bengal, Madras, U.P. and Bombay.

(iii) *Dairy Co-operatives in Madras :—*The pride of place must go to Madras, though Bombay also is not lagging behind, and the detailed working of the milk marketing co-operatives in Madras deserves some space, in the survey of co-operative marketing in the country. In the Madras State, Milk supply

unions are established in cities and towns and milk supply societies are organised in villages and are affiliated to the unions and work as feeders. An area known as the belt area within a radius of 5 to 10 miles from a city or a town is selected for organizing the feeder societies. The need for organizing milk producers on co-operative lines who are further away from consuming centres is also felt and unless quick transport facilities are available, too long distances do remain as obstacles to the formation of milk supply societies among such producers. Societies are formed in villages after a preliminary investigation that a number of persons are available who can supply a fairly large quantity of milk, and that an adequate extent of pasture lands and other amenities for production of milk such as milking sheds etc. are available. Such societies are also formed among Gowalis in towns and cities for increasing the production and ensuring purity of supply. In order to remove unemployment amongst ex-tappers of toddy in Madras, Government have encouraged the establishment of milk supply societies for them by giving them subsidies for meeting working expenses or by providing staff for supervision and by making grants for the purchase of utensils and other equipment. Every ex-tapper member is also eligible for a loan of Rs. 250/- for the purchase of milch cattle on condition that he should repay it by supplying milk to the society.

(iv) *Objects of a Primary Milk Society* :—The main objects as provided in the bye-laws of a primary milk society are :—

- (1) To 'arrange for the sale of milk of members or its by-products.
- (2) To purchase and own or rent the machinery necessary for manufacturing by-products.
- (3) To assist members in buying and maintaining good milch animals.
- (4) To assist members in buying and maintaining breeding animals.

The primary object of a milk supply co-operative is to promote the economic interests of its members by arranging for the profitable sale of milk and milch products. In the areas in which

milk supply unions operate, the primaries act as feeders to them and do not undertake the distribution of milk independently. Though independent, they work as production units under the supervision and guidance of the union. Thus the main work of a primary milk supply society is to collect milk from its members and make it available to the union for sale to the best advantage. The responsibility for marketing the milk is that of the union. In urban areas milk supply societies undertake both production and distribution of milk, as there are a number of milk unions in such areas. Among the main objects for which a milk supply union is established, the following may be mentioned :—

(1) To arrange for the sale of milk and milk products of its members or the members of its affiliated societies on an agency basis.

(2) To purchase milk and milk products of the members of its affiliated societies and sell the same to the best advantage.

(3) To instal pasteurization and other modern dairy machinery and equipment.

(4) To purchase and distribute among its members or the members of affiliated societies, cattle, feed and other articles for dairying.

(5) To encourage the growing of fodder crops by its members or the members of its affiliated societies.

(6) To arrange for the purchase as the agent of members and members of affiliated societies of milch cattle required by them.

(7) To own or hold on lease pasture lands, to own stud bulls and to undertake the maintenance of dry animals.

(8) To grant loans to individual members and affiliated societies for the purpose of buying milch animals.

(v) *Membership of the Milk Co-operatives* :—Any person who is competent to contract and who resides within the area of operation is eligible for admission as a member, but in actual practice, only producers of milk or persons who are willing to undertake milk production as the main or subsidiary industry are enrolled. Milk supply co-operatives are essentially producers'

organizations and consumers have no place in a milk supply union, but provision for admission of a few well-wishers of producers is made who are willing to help such unions with their advice. The individual members, if they are also producers of milk, can enjoy the rights or privileges of membership. As regards societies, only such of them as undertake to supply to the union, milk or milk products of their members are eligible for membership of the union. Thus a credit society or a multipurpose society is also eligible for admission to the membership or a union.

(vi) *Capital and Borrowings* :—If the societies are to achieve the various objects with which they are organized, it is necessary that they should have a substantial amount of share capital. Besides, their borrowing limit is based on the amount of paid-up share capital and reserve fund. That is how the Co-operative Department has laid down that before registration a society should collect at least a share capital of Rs. 1,000 from promoters. In the case of unions working in major towns or cities, they are required to collect at least a share capital of Rs. 20,000/- while other unions are required to collect a minimum share capital of Rs. 10,000/- each. The maximum borrowing limit of a milk supply co-operative cannot exceed 8 times the paid-up share capital and reserve fund, while that of a union is ten times the paid-up share capital and reserve fund. The societies usually borrow from the central financing agencies and the unions. Loans obtained from the unions are utilized in giving loans to their members for the purchase of milch cattle. Till recently, Government used to provide financial accommodation to the societies and the unions for the purpose of enabling them to purchase milch animals, subject to certain conditions. Government have now ordered that the concession should apply only to such societies as have not borrowed for three consecutive years in the past and that the loans granted bear interest at 3% per annum. State loans are now being granted to milk supply societies to enable them to purchase motor vehicles to facilitate the transport of milk.

(vii) *Management* :—The management of the affairs of a milk supply society is vested in a Board of Directors who are annually elected by the General Body of Members. In the case of Milk

Supply Unions, both societies and individuals are represented on their Boards of Management in the proportion fixed in the bye-laws. Bye-laws of milk supply societies provide for the co-optation to the Board by elected representatives of a specific number of persons from among the officers of the local municipality of the Animal Husbandry Department. Government have asked the Municipal Health Officers to take active interest in the working of the milk co-operatives and to permit them to be ex-officio directors, since municipalities have great responsibility in ensuring the purity of milk sold in urban areas. Though services of directors are free, provision exists for payment for services rendered by a director as secretary out of the general funds up to a maximum of Rs. 500 a year.

(viii) *Progress of Milk Co-operatives*.:—The Madras State has made considerable headway in the field of co-operative milk production and distribution, to judge from the available statistics. The first society was started in outskirts of the Madras City in the year 1926-27 with a view to providing not only a subsidiary occupation to the agriculturist in the State but also to supply wholesome milk to the consumers in the city. During the first ten years progress was very slow. On 30th June 1937, there were 20 primary supply co-operatives and one union, and their number rose to 88 and 15 respectively, as on 30th June 1940, the value of milk supplied being about Rs. 3.80 lakhs. In 1946, the State Government sanctioned the employment of a Dairy Development Officer and a skeleton staff for the purpose of :—

(a) planning and conducting surveys for obtaining data on which dairy development projects may be based ;

(b) formulation of schemes to increase milk production ;

(c) setting up an organization for the production, collection, transport and distribution of milk and milk products ;

(d) carrying out investigations in improved and profitable methods of preventing wastages and initiating production of suitable dairying equipment ;

(e) execution of approved schemes for the development of dairy industry, through advisory services, propaganda and publicity.

The staff under the Dairy Development Officer being found to be inadequate for the purpose, the State Government sanctioned in 1948, a three-year plan with a view to :—

(a) organizing fresh milk supply societies in areas which were covered by them ;

(b) strengthening and supervising milk supply co-operatives and providing technical advice and the employment in three instalments spread over three years of a staff of 25 Dairy Assistants, 26 Senior Inspectors of Co-operative Societies and 27 Junior Inspectors for the implementation of the scheme. When the plan was put into effect, there were 335 milk supply societies and 26 unions with a total volume of production amounting to 31,739 Madras measures per day. After the end of three years there were 486 primary supply societies and 37 unions with a dairy production of 29,433 Madras measures. The Government extended the period of the plan up to 15-10-54. The position for the two years 1953 and 1954 is given below :—

30th June 1953 30th June 1954

(a) *Milk Supply Societies :*

(1) No. of societies	...	...	...	740	560
(2) No. of members	...	...	...	73,218	65,101
(3) Paid up Share Capital (Rs. lakhs)	...	...	...	10.77	9.73
(4) Value of Milk and Milk Products sold (Rs. lakhs)	...	...	...	64.28	69.34

(b) *Milk Supply Unions*

(1) No. of Unions	...	...	...	41	20
(2) No. of members—					
(i) Individuals	...	...	...	4,266	3,105
(ii) Societies	...	...	...	405	345
(3) Paid up share capital (Rs. lakhs)	...	...	...	3.5	3.19
(4) Value of Milk and Milk Products sold (Rs. lakhs)	...	...	...	79.48	71.67

(ix) *Production of Milk and Co-operatives :—*The Report on the Marketing of Milk in India published by the Directorate of Marketing and Inspection, Government of India, estimated that the value of milk annually handled by all the co-operatives in the Indian Union exceeds Rs. 1.5 crores. When compared with the approximate annual value of milk consumed in urban areas

this comes to only about 1.7 per cent of the total consumption. Madras is no exception and though considerable headway has been made by milk co-operatives in the State, they handled only a small portion of the milk requirements of cities and towns round about which they are situated. The need is, therefore, underlined to increase the production of milk in order to reduce production costs, to engage staff having sufficient business experience and to supply wholesome milk to consumers at reasonable prices. The milk co-operatives endeavour to achieve these objectives.

(x) *Loans for the Purchase of Milch Cattle* :—If the numbers of milk co-operative are to take active interest in dairying and to increase production, it is necessary that the funds for the purchase of milch cattle be made available to them. Milk Supply Co-operatives give such loans either from funds obtained from Government or Central Banks or from their own resources Recoveries are made in easy monthly instalments spread over the whole of the lactation period. In the case of Government loan, recovery is waived in the event of the death of the animal purchased with such loan due to circumstances beyond the control of the member.

(xi) *Building up of a Cattle Mortality Fund* :—In order to remove the hardships entailed consequent on the death of animals, some societies have constituted a Cattle Mortality Fund. It is built from the subscription made by a member at the rate of Re. 1/- per each animal owned by him subject to the maximum of Rs. 5/- per month per each animal. This amount is deducted from the monthly bills of milk payable to him. A subscriber to this fund gets compensation to the extent of 50% of the value of the animal which dies, from out of the mortality fund.

(xii) *Supply of Feed and Fodder* :—In order to maintain the milk yield and preserve the health of the animals, feeding on scientific lines is necessary. But attempts so far made have not fully succeeded because of the sentimental objection of the cattle-owners who do not appear to be convinced of the higher nutritive value of concentrated feeds. It is the responsibility of the milk co-operatives to be ensured that their members feed their

animals properly. If the members are unable to purchase such feeds for want of money, milk supply societies should purchase them and distribute the same among members against the value of milk supplied. Similarly, in rural districts, cattle are not fed properly for want of adequate supplies of fodder. In order to provide adequate grazing facilities, Government have permitted the milk co-operatives to retain assessed waste lands near the villages and grow pasture for them. They have also permitted them, subject to certain conditions, to cut monsoon grass free of cost from the reserve forests with a view to preparing silage. These facilities have not been availed of, however, to an appreciable extent because of difficulties involved. Some societies have purchased lands and distributed them for growing fresh fodder. Lack of funds and prevalence of drought conditions stand in the way of starting fodder farms. It is to Government that such societies must look to for assistance by way of subsidies in the initial stages.

(xiii) *Collection and Transport of Milk* :—Marketing of milk usually involves four distinct processes or stages :—

- (i) Collection of milk from the producers.
- (ii) Its transport to urban centres of consumption.
- (iii) Its processing.
- (iv) Distribution to the consumers.

The success of the co-operative agency must ultimately depend upon the degree of efficiency with which each process is handled. The collection of milk is the chief responsibility of primary milk co-operatives. Members of milk supply societies are normally expected to bring their animals to a common milking yard. In order to ensure hygienic conditions, efforts are made to have at each centre a pucca milking shed, with separate rooms for milk recording, for cleaning utensils, for storing concentrated feeds etc. But the main difficulty is the reluctance on the part of members of the milk co-operatives to take their animals to the common milking yard. The need for educating the members in the principles and value of hygienic milk is ob-

vious, and every effort should, therefore be made to achieve the goal in the interests of both the producers and consumers. Municipalities and Local Boards also can help in this matter by setting apart lands which are situated nearby and are suitable for use as milking centres and making the same available to milk supply co-operatives on easy terms, and by putting up pucca sanitary cattle sheds and renting them to these societies on easy terms. It is of the utmost importance that milking should be done under the supervision of the paid staff of societies in order to ensure cleanliness. Milk should be filtered and put in sterilized aluminium cans and sealed at the time of transport with a slip showing the name of the official in whose presence the milk was drawn and packed. The cans are then transported in trucks or carts or by trains to the assembling centres from where distribution is made. Milk gets sour within a short time, say, about six hours of its leaving the udder, and a milk supply union depending for its supplies from various sources must effectively solve the problem of transport. Regularity, cheapness and speed are the three essentials in the transport of a perishable commodity like milk and the only effective arrangement that can be made for bringing milk from feeder societies scattered in different areas and situated on different routes is with the help of lorries. If trucks are provided, milk co-operatives can penetrate the interior villages and get milk cheaper, so as to overcome the unhealthy competition of private milk dealers. The State Government have placed at the disposal of the Registrar of Co-operative Societies some amount for granting loans to milk supply co-operatives for the purchase of trucks, but the sums so placed are inadequate to meet the demand. With trucks or lorries made available, the milk co-operatives can solve the problem of distance and it is necessary for the co-operative agency to work out the economies of transport by trucks. They should follow the principle of "more milk per mile", which implies more milk per can. This means more milk per truck and lower transport cost. For this purpose, milk co-operatives are advised to maintain records showing the volume of milk transported by truck per day per trip so as to ensure capacity loads in terms of cans handled per truck. The milk on arrival is tested at the assembling centre with a lactometer to prevent adulteration on route.

(xiv) *Distribution of Milk* :—In order to distribute milk as quickly as possible, milk co-operatives employ salesmen who convey milk in separate sealed cans or on cycles by the cycle boys from the distribution centres to the doors of the consumers. Many of them have opened depots also for the sale of milk. Milk supply societies generally adopt the system of issuing coupons. The coupon books consist of ticket leaves, each for one-fourth share, half-share or one share and are sold for each at the rates fixed by the directors. The date of the issue of the coupon book is stamped on each coupon book. The coupons are current for sixty days from the date of issue.

(xv) *Supply of Milk to Public Institutions* :—The Committee of the Animal Husbandry Wing of the Board of Agriculture and Animal Husbandry in India have recommended that all public institutions should place their contracts for milk with organizations which produce their milk outside city limits. In pursuance of this recommendation, the State Government has been encouraging milk co-operatives to supply milk to hospitals and jails at rates above the market rates up to a maximum of 5% of the market rate. This excess also may be increased in individual cases if recommended by the Registrar, Co-operative Societies. Milk co-operatives are also exempted from depositing earnest money while making tenders to supply milk to the Government hospitals and jails. Despite this encouragement, milk supply unions have not been able to secure contracts for a variety of reasons, foremost among them being the cut-throat competition of private vendors, unhelpful attitude of officers in charge and lapses on the part of co-operatives themselves in complying with the conditions laid down. By supplying milk to hospitals milk co-operatives do a bit of service to patients who are greatly in need of unadulterated and wholesome milk.

(xvi) *Problem of Surplus Milk* :—During flush season, milk co-operatives are not in a position to dispose of the entire quantity of milk procured by them, and in the process of conversion of milk into by-products like curds, butter except khova and ice-cream, they often incur losses. The problem of surplus milk is not easy to solve and it is advisable that they should cater to the needs of individual residential customers in a large measure, as the demand from such customers in big cities is more or less

steady. It is always profitable to sell milk as fluid milk and every endeavour should be made by the milk co-operatives to dispose of milk in this way.

(xvii) *Malpractices and Milk Co-operatives*:—The State Government has asked the local bodies to prevent the sale of unwholesome milk to the public, by the middlemen, by properly working the Madras Prevention of Adulteration Act. Municipal health officers are also asked to take active interest in the working of milk co-operatives.

(xviii) *Exemption from Sales Tax*:—The State Government exempted milk supply societies and unions formed on or after 1st July 1946 from the payment of sales tax for a period of three years from the date of their establishment. It may be noted that sales tax has an adverse effect on co-operative milk supply agency inasmuch as the turnover of a group of individual producers forming a co-operative society has a turnover of more Rs. 10,000/-, and sales tax is payable if the annual turnover of the assessee exceeds Rs. 10,000. Thus an average individual producer cannot have a turnover exceeding Rs. 10,000/- annually and thus the co-operatives have to enhance the sale price of milk resulting in the loss of the market itself. The recent Bombay Sales Tax Act has exempted milk from the payment of sales tax. The example of Bombay needs emulation elsewhere.

(xix) *The Milk Recording Scheme*:—The Milk-Recording Scheme in existence in the State has for its main object the education of members of milk co-operatives in the utility of milk records in order to enable them to study the performance of the animals in the pail with reference to the feed given to them and the adjustment of the feeds so as to ensure maximum yield. The milk records furnish useful statistics for building up a graded stock from the indigenous breeds of cattle by systematic breeding. A limited number of animals of 12 defined breeds are brought under the scheme in some select societies. The animals are milked twice daily in the presence of a milk recorder. The daily yield of each of the selected animals is recorded in a prescribed register. Prizes are awarded to the owners of the animals which yield the maximum quantity of milk. Three or four prizes are given in each society in the order of merit. The criterion

applied is how much the animal has yielded during a particular lactation period. The idea behind the scheme is to impress the milkmen that they should not dispose of their good cows soon after they became dry and that a cow, if good in one lactation, is bound to be good also in subsequent lactations, if maintained properly, and that its progeny also would inherit the quality of its mother. In order to promote selective breeding, milk co-operatives also maintain a herd register wherein all well-built heavy yielding, milch animals with long lactation period are entered. The success of this plan depends on the effective propaganda carried on among members.

(xx) *Scheme for the Salvage of dry Animals*:—A cow or a buffalo-owner in a city considers that a dry animal is a burden. It is common knowledge, therefore, that good animals which go dry are often sold to butchers for slaughter. This entails loss of cattle wealth through lack of effort to provide facilities for salvaging milch animals when they go dry. The State Government has, therefore, sanctioned a scheme for the provision of salvage facilities to the cows in the City of Madras and the scheme is worked by the Madras Co-operative Society for the salvage of dry cows. It provides for the reception of dry cows and their maintenance in the Kambakkam reserve forest. The Government has provided the necessary staff free of cost, but the owners bear the expenses of transport and maintenance of animals according to a prescribed scale. The animals are returned to the owners when they calve. A similar scheme is also worked by the Madras Milk Supply Union for dry she-buffaloes which are sent to the Salvage Farm at Vattambedu in the Nellore District. A monthly fee of Rs. 8/- for a Deshi buffalo and Rs. 11/- for Murrah buffalo is charged. Government has sanctioned the employment of a Senior Inspector of Co-operative Societies, a Stockman Compounder and the Cattleman and a free grant of Rs. 460 per annum towards the maintenance of a stud buffalo and cost of medicines.

The Madras Co-operative Milk Supply Union, Ayanavaram

This brief account of the growth and development of co-operative marketing societies in the Madras State would be incomplete unless we include a brief note on the working of the

Madras Co-operative Milk Supply Union, Ltd., which has built for itself, a unique position in the co-operative structure of the State as an outstanding example of the successful application of co-operative technique in the solution of the problem of milk supply of a big premier city like Madras. The Union was started in December 1927 with only 13 societies as its members. During the first year, it sold 17,488 Madras measures of milk.

(a) *Objects* :—The main objects of the Union as provided in the bye-laws are :—

(1) To purchase and dispose of milk or milk products produced under sanitary conditions at reasonable rates to the residents of Madras City.

(2) To establish a model dairy farm and a modern dairy plant for pasteurizing milk.

(3) To purchase at wholesale rate and distribute cattle-feed and other commodities at reasonable rates to members.

(4) To own or lease pasture lands and to maintain dry animals of members.

(b) *Membership* :—Membership is open both to individuals and primary milk supply societies. Shares are of two categories (A) and (B). The nominal value of an A class share is Rs. 100/- and it is allotted to the society members. The face value of a B class share is Rs. 50/- and is held by an individual member. To facilitate collection of milk from places beyond the city limits, the Union has organized feeder societies in the Chingleput District. On 30th June 1953, the Union had 129 feeder societies affiliated to it and 24 individuals as its members, with a total paid-up share capital of Rs. 1.57 lakhs.

(c) *Management* :—The management of the Union is vested in the Board of Directors annually elected by the General Body. But on the Board separate representation is given to societies and to individuals who are members. The bye-laws prescribe the number of directors to be elected from among the representatives of societies and the number to be elected from individual members. Six directors are elected from among the delegates of affiliated societies, three from individual members and two are co-opted by the elected directors.

(d) *Progress*:—The progress of the Union for a period of five years is exhibited in the following statement:—

Statement showing the progress made

Year	No. of Members	Purchase of Milk Quantity and Value		Sale of Milk Quantity and Value		Average daily sale	Paid-up share	Reserve and Other Funds
		Societies	Inds.	lbs. lakhs	Rs. lakhs	lbs. lakhs	Rs. lakhs	(lakhs)
1950	117	147	83.93	21.56	78.27	25.76	1.27	Not available
1951	123	54	89.04		87.01	28.63	1.54	2.09
1952	124	24	89.57		86.01	28.14	1.59	2.56
1953	129	24	97.26		89.93	29.92	1.54	2.51
1954	150	24	101.58		91.82	30.44	1.73	Not a available

* M.M. = 4 lbs.

Note:—The Union had 63 depots in the city and engaged 51 house-delivery boys. Cattle feed of the value of Rs. 21,803 was supplied to its feeder societies. The value of milk supplied to State hospitals was 6.84 lakhs during the year 1953. The daily supply of milk was increased by 5,000 lbs. from the year 1953 onwards. Statistics contained in the above statement speak for themselves. The volume of business has expanded with an increase in the number of members. The Union undertook the supply of milk to State hospitals in the Madras City in the year 1929-30 and has since then continued to be the sole supplier. It supplied milk of the value of Rs. 7.1 lakhs to the hospitals during 1953-54.

(e) *Method of doing Business* :—The Union collects milk from its feeder societies which transport the same to the Union factory at Ayanavaram in trucks. In the factory the milk is pasteurized and distributed to the civil population through house-delivery boys and through the depots opened at important centres of the city. In order to prevent adulteration during the distribution stage, supervisors employed by the Union collect samples and send them to the Union for analysis. The unsold milk is returned by sale depots or distribution centres and it is converted by the Union into such by-products as khova, butter, or ghee. Sales are made on coupon system in cash. Coupons of different colours are introduced for different weights of milk and are frequently changed also to avoid imitation. Coupons not presented for the drawal of milk within two months from the date of issue are considered to be stale and lapse to the Union.

(f) *Fixation of Prices* :—Prices of milk are fixed by the Board of Directors both for the purchase and sale of milk, after taking into consideration the market conditions. The purchase price is, however, uniform throughout the year, while prices for the sale of milk are higher in summer than in winter. Prices are fixed after taking into account the purchase price, cost of transportation and cost of distribution and management.

(g) *Loans* :—The Union grants loans to affiliated societies for the purchase of milch animals and fodder. Instalments of loans are deducted from the price of milk paid every month. The rate of interest charged by the milk supply societies and the Union is the same, viz., 6 per cent.

(h) *Supply of Milk to the Governor of Madras and his Staff* :—In fulfilment of its objects, the Union has continued to run the Model Dairy Farm Rajbhavan at Guindy for the supply of fresh milk to the Rajpramukh and his staff.

(i) *Government Assistance to the Union* :—Government has sanctioned a special staff consisting of one Co-operative Sub-Registrar, six Senior Inspectors, 6 Junior Inspectors for the supervision of milk supply societies and for augmenting milk production. Expert Veterinary advice and prompt veterinary assistance are provided to the Union through the District Veterinary Officer (Milk) and specially sanctioned for the benefit of the Union and

its feeder societies. He has under his control a mobile veterinary unit and six veterinary first-aid posts located at different centres. Government has also sanctioned a scheme costing a non-recurring expenditure of Rs. 1.11 lakhs and a recurring expenditure of Rs. 20,500/- with a view to increasing the supply of milk to Madras City by 5,000 lbs. more a day by expanding the Union's activities. The sanction includes provision for an up-to-date pasteurization plant and a laboratory with the necessary outfit for quality test. The laboratory that has been established contains the necessary equipment to conduct bacteriological tests and the analysis of the samples of milk, taken from the Union at various stages, i.e., from the cow to the consumer. One dairy chemist, one milk tester and two laboratory attendants are working in it. One Co-operative Sub-Registrar and three Senior Inspectors sanctioned under the scheme have been entrusted with the task of organizing primary societies at new centres for increasing the milk supply to the Union. In order to establish a second pasteurization plant, the Union has purchased a site at Kodambakkam.

(j) *Office of the Union* :—The Union has its own buildings at Ayanavaram within the limits of the City Corporation, Madras. It is situated on a site extending over nearly 11 acres. The members are permitted to station their animals in the cattle yards constructed on the site. A specious milking yard is provided with a view to milking animals. There is also a fly-proof shed to keep milk as well as a storehouse for stocking cattle feed. There is accommodation for about 150 animals to be stationed on the Union's premises which can be utilized for housing the owned animals instead of depending entirely on the milkmen.

(k) *General Observations* :—The Madras Milk Supply Union has been rendering yeoman service both to the producers of milk and consumers in the city during a period of a quarter of a century. During the critical period of the World War II, it also rendered signal services to the public, the Government and the Military, when professional middlemen deserted the city owing to the scare of the Japanese invasion. In the year 1929, when private contractors formed a ring and quoted an exorbitant rate of Re. 1 per Madras measure for the supply of milk to State hospitals, it was the Union that broke the combination and under-

took the supply to State hospitals at $7\frac{1}{2}$ annas per Madras measure. With its plans of expansion the Union is expected to play a more dynamic role in the future distribution of milk in the Madras City.

General Progress of Milk Supply Unions and Societies in the Madras State

There were 20 milk supply unions and 560 milk supply societies on 30th June, 1954 as against 41 unions and 740 societies of the preceding year. Of the 560 milk supply societies 345 served as feeders and the remaining 215 societies distributed the milk collected from their members. During the previous years the number of societies serving as feeders and the number of societies that distributed their milk independently of their unions was 475 and 275 respectively. The comparative position of the milk supply unions and societies during the two years 1953 and 1954 in respect of membership, paid-up share capital, and value of milk and milk products handled has already been given. The following statement shows the value of milk supplied by the co-operative milk supply agency during the two years 1953 and 1954 to the various institutions mentioned below :—

				1953	1954
				(Rs. in lakhs)	(Rs. in lakhs)
1.	State hospitals	...	...	23.81	17.72
2.	Jails	...	...	3.74	3.03
3.	Child Welfare Centres	...	...	2.17	0.49
4.	Other Institutions	...	...	19.26	13.85

The Madras Co-operative Milk Supply Union alone supplied milk valued at Rs. 7.1 lakhs and Rs. 6.57 lakhs to the hospitals and other institutions respectively. The Madurai, Kozhikode and the Tanjore Milk Supply Unions supplied milk of the value of Rs. 1.29 lakhs, 2.09 lakhs and 1.26 lakhs respectively to the state hospitals. The State Government has now directed that in respect of contract for the sale of milk to the hospitals, jails, certified schools, the rates quoted by the milk supply co-operative should be accepted even though they are slightly higher than the rates quoted by other tenderers, provided the rates quoted

by them do not exceed their retail rates. As regards payment of sales tax, Government has directed that in the case of sale of milk by co-operative milk supply societies and unions, the tax should be levied at a single point viz. at the stage of sale to the actual consumer of milk. The Co-operative Department, it is understood, have addressed the State Government in the matter with a request to classify milk with perishables like fruits, eggs, fish, etc. and exempt it from the payment of sales tax.

(a) *Government loan for the purchase of milch animals:—* During the financial year 1953-54 a sum of Rs. 7.19 lakhs was given as loan at 3% interest as against 12.18 lakhs of the preceding year to members of milk supply societies and unions for the purchase of milch animals. Government have since raised the rate of interest on the above loans to 4% during 1954-55. A sum of Rs. 5.53 lakhs was outstanding against the societies and the unions. These loans have been very helpful to the agriculturists in the villages in order to enable them to take dairying as a subsidiary occupation and to improve the cattle wealth as well as the production of milk. On 30th June 1954, a sum of Rs. 38,338 was outstanding against milk supply unions and societies in the State under Government loan for the purchase of motor lorries. The Second Three Year Plan for the development of dairies in urban areas in the State came to a close by the end of 14th October 1954 according to the Administration Report of the Registrar, Co-operative Societies, Madras, and the State Government has permitted the continuance of the supervisory staff sanctioned under the scheme until the total strength of the co-operative department was fixed. The planned co-operative set-up for increasing the production of milk in the State is reported to have made satisfactory progress. Almost all the Municipalities and many of the Panchayats are covered by the work of milk supply societies. Many of the bigger milk supply unions are not in a position to augment their milk production though they are anxious to do so as they have no proper facilities to keep over the milk for a sufficiently longer period. The Salem, Madurai, Tiruchirapalli, Shrirangam, vellore and Kozhikode Milk Supply Unions are contemplating setting up—pasteurisation plants with State aid with a view to improving the keeping quality of milk and the proposal submitted by them in this regard were it is

understood under the consideration of the State Government. Similarly in order to solve the problem of surplus milk in the hilly stations like Kodai and Ooty, the schemes submitted by them, for installation of dairy machinery which would facilitate the conversion of surplus milk into butter, cheese, and ice-cream were it is understood under the consideration of the State Government. A proposal for establishing the milk supply union at Ooty with pasteurisation plant was recommended by the State Co-operative Department to Government for sanction. If the various proposals are sanctioned by the State Government, the Co-operative Department hopes that the milk supply co-operatives will be able to bring within their fold more and more agriculturists in rural areas and provide them with a remunerative subsidiary occupation.

Madras Provincial Co-operative Marketing Society

The Society was started in the year 1936. (a) The main objects as provided in the bye-laws were:—

(1) To arrange for the sale of produce of affiliated societies and other members to the best advantage.

(2) To rent or own godowns or sale depots to facilitate the storing and the sale of produce.

(3) To act as the agent of members for the disposal of their produce.

(4) To act as the agent of co-operative institutions and members for the purchase and supply of articles on commission basis according to written indents received from them.

(5) To advance monies as loans on the pledge of members' produce sent for sale.

(6) To serve as an information bureau of raw products and articles available in the State or elsewhere.

(7) Generally to co-ordinate the activities of various non-credit societies by getting them into touch with the market places, the places of production and the prices prevailing in the State.

(b) *Membership* :—Under the bye-laws individuals and all types of co-operative societies other than building societies were eligible for the membership of the society. Still, however, only producers' societies such as marketing co-operatives, cottage industrial co-operatives, agricultural improvement societies, were encouraged to become members and subscribe to an adequate amount of share capital. There were two classes of shares (A) and (B). 'A' class shares are held by societies while 'B' class shares are held by Individuals.

(c) *Method of doing Business* :—In arranging for the sale of produce, the society acted as the agent of members on consignment basis. A commission varying from $3\frac{1}{8}$ to $6\frac{1}{4}\%$ depending on the nature of commodities handled was charged. The society was also authorized to make purchase but only up to the extent of its paid-up share capital. The maximum credit limit of the society was restricted to ten times the paid-up share capital and the reserve fund.

(d) *Reasons for slow progress and failure of the Society* :—In view of the fact that such an apex institution could not make headway and go ahead without Government assistance, the Madras Govt. gave in the initial stages services of the departmental staff free of cost and cash subsidies to meet its contingent charges. The Society could not do wholesale marketing of agricultural produce except sathgudi oranges. The irregular supply of commodities of uncertain quality by the affiliated societies for sale in the Madras market proved a great obstacle to its progress even from its inception. It did for some time the work of purchasing and retailing controlled commodities in the City of Madras and it also supplied certain consumer goods to central co-operative stores in the mofussil. It also acted as the agent of the cottage industrial co-operatives for the purchase of the raw materials required by them and for the sale of their finished products. On account of mismanagement of its affairs during the past few years it could not develop its business. The funds of the society were misappropriated by the previous Secretary and a criminal case was pending against him and other members of the society. Its affairs have now been wound up and the Madras Co-operative Department is contemplating the organization of a new Provincial Co-operative Marketing Society in its place in imple-

mentation of the recommendations of the Committee of Direction of All-India Rural Credit Survey in the Second Five-Year Plan.

Future Lines of Development of Co-operative Marketing in the State

The plan for co-operative development that is visualized by the Co-operative Department in Madras under the Second Five-Year Plan in so far as co-operative marketing is concerned is as follows :—

(1) Thirty more co-operative marketing societies would be organized so as to increase their number to 150 in order to cover all the mandies or market centres in the State. Fifty primary marketing co-operatives would be intensively developed in the Plan-period, viz., 1956-61.

(2) A State Co-operative Marketing Society would be established during the second or the third year of the Plan-period.

(3) It is proposed to establish two co-operative sugar factories composed of growers. One such factory has been organized in the North Arcot District. Another factory with a crushing capacity of 900 tons at a capital cost of Rs. 80 lakhs would be organized in the Coimbatore District.

(4) A Co-operative Spinning Mill composed of cotton-growers at a capital cost of Rs. 30 lakhs is also proposed to be organized. Similarly, five Sago Manufacturing Societies are proposed to be established in the Salem District.

(5) To afford warehousing and marketing facilities to agriculturists, larger-sized primary societies and rural co-operative banks would put up godown at a cost of Rs. 30,000 each, and 100 select rural credit societies would also put up one godown each at a cost of Rs. 20,000. Sixty-five urban co-operative banks would put up godowns at a cost of Rs. 2 lakhs each in order to stock commodities or products pledged by petty traders, artisans and persons of limited means, in order to promote their trade or handicrafts in addition to the agricultural produce of their own members. Thus at the end of the Plan-period, 815 pucca

godowns would be owned by rural credit societies, larger-sized primary societies, rural co-operative banks and urban co-operative banks.

(6) The reorganized District Wholesale Societies and the newly organized State Co-operative Marketing Society would put up godowns of their own at a capital cost of Rs. 1 lakh each. Thus 266 large godowns would be constructed by the marketing societies, federations and the State Marketing Society, at the end of the Plan-period. In order to implement the above plans, State partnership in the share capital of the societies and State assistance in the form of loans and subsidies under various heads have been provided for. For the construction of godowns, it is proposed that the State Government should provide interest-free loans on a fifty-fifty basis.

(7) The scheme for the development of dairying and milk supply envisages the installation of pasteurization plants by the milk supply unions in the mofussil, viz., at Salem, Madurai, Srirangam, Vellore, Ooty, Kozhikode, Kodaikanal, Virudhunagar, Coimbatore, and Kodambakkam and by the Madras Milk Supply Union. It is also proposed to start one society every year for the salvage of dry cattle, so that at the end of the Plan-period, there may be five such Salvage Schemes.

It may be noted that the expansion which this development visualizes would depend upon the extent of finances provided both by the Central and the State Governments, and there is a likelihood of the State Plans being modified to some extent by the Planning Commission.

II—Andhra.

Co-operative Marketing of Agricultural Produce in Andhra

Andhra is a new State carved out of the composite State of Madras and Andhra by about October 1953. The marketing co-operatives in the State handled paddy, ragi, chola, groundnut, cotton, jaggery, onions and chillies. The sub-joined statement gives statistics relating to the operations of marketing co-operatives in the State for two years 1952-53 and 1953-54. Although the State

was created by about October 1953, figures of 1953 are taken from the Districts of Andhra included in the composite State of Madras for that year.

	1952-53	1953-54
1. No. of societies	178	178
2. No. of Members (in lakhs)	1.30	1.27
3. Loans issued during the year (in lakhs)...	81.50	129.45
4. Value of produce :		
(a) sold as agent (in lakhs)	30.46	34.47
(b) Sold as owner	44.48	69.19
5. Value of seed, manures and agricultural implements sold (in lakhs)	71.26	62.24

There was only one society in the State, viz., the Anakpalli Co-operative Marketing Society, which pooled jaggery manufactured by its members and arranged for its grading before sale. Other societies have not done much in the sphere of grading and pooling of members' produce. There was no independent agency for financing the marketing co-operatives and the Reserve Bank of India provided special accommodation through the State Bank and the District Central Banks, at concessional rates of interest for financing the seasonal agricultural operations and marketing of crops. It has not yet been found possible to establish a State Marketing Society. There is only one marketing Federation in the State called the West Godavary Co-operative Marketing Federation, Ltd., at Eluru. At the close of the co-operative year 1954, it had a membership of 181 individuals and 104 societies with a paid-up share capital of Rs. 49,650/-. It sold chemical fertilizers of the value of Rs. 1.90 lakhs, and iron and steel materials worth Rs. 66,000 during the year. 22 marketing co-operatives had their own godowns, and in addition, 6 of the godowns put up by the Department of Agriculture, Madras, from the Groundnut Development Fund, were also in their charge, as they were used for the purpose of storage. The State Government provides loans for the purpose of building godowns by the Marketing Co-operatives up to 75 per cent of the cost of godowns built. A maximum subsidy up to Rs. 7,500/- is also given, if an equal amount is spent by the societies from out of their general funds. Specific rules have been framed for the grant of loans and the Registrar, Co-operative Societies, Andhra, has been authorized to disburse

the amount from out of the allotment placed at his disposal each year for the purpose. Marketing co-operatives in the State have not yet undertaken processing of agricultural produce but the Shri-Rampuram Co-operative Marketing Society in the District of Guntur was the only institution which processed groundnuts worth Rs. 3.07 lakhs. A noteworthy feature of the working of marketing co-operatives in the State is that a few of them are engaged in the export of agricultural produce outside the State. Export quotas of chillies and onions to the extent of 30 and 1859 tons respectively were allotted to the marketing co-operatives during 1953-54.

III—Uttar Pradesh

Co-operative Marketing of Agricultural Produce in U.P.

Introduction

Considerable progress has been recorded in Uttar Pradesh in the sphere of co-operative marketing, particularly of commodities like sugarcane, ghee etc. In this State there are three distinct categories of co-operative marketing societies, one is composed of the marketing unions which have recently been converted into block unions at the primary level. At the district level, there are the district federations with the Pradeshik Co-operative Federation at the State level. Another consists of the Sugarcane Unions with their affiliated agriculturist-members as well as societies managed by a separate department called the Cane Development Department under the Cane Commissioner who is also the Registrar of Co-operative Cane Unions. A separate controlling authority has been found to be necessary because sugarcane marketing in the State constitutes a very large and important aspect of co-operative marketing in Uttar Pradesh. In the third category are the Ghee Unions with their affiliated societies.

Block Unions

The Block Union is the smallest unit in the rural area and undertakes activities connected with marketing and supply. The object of a block union is to bring within the reach of the villager such of the agricultural requisites as cannot be supplied by

any other co-operative agency. The block union emerged as the result of the implementation of the new development plan in 1947. In addition to supply work, a block union undertakes marketing activities as well. A compact block of 15 villages is formed having a primary society in each village. These primary societies undertake multi-purpose activities and are affiliated to a union situated at a central place within the block. The main purpose of these unions is also the distribution of seed for which they have seed stores transferred under their own management. They also handle the distribution of other commodities like sugar, salt, kerosene etc. At the end of the co-operative year 1952, the total number of block unions stood at 1,666 and the number of multipurpose societies that were affiliated to them was over 20,000. At the close of the co-operative year 1954, their number rose to 1,788 covering about 25,000 villages in the State. They had a paid-up share capital of Rs. 67.94 lakhs. Their owned capital and working capital were Rs. 141.12 lakhs and 427.12 lakhs respectively. The activities undertaken by these unions are as mentioned below:—

(a) *Distribution and recovery of Seed through the Seed Stores*:—At the end of the co-operative year 1953-54, 1,041 seed stores were transferred to the Unions by the State Agricultural Department. The seed distribution and recovery continued to be done through the co-operatives under the close supervision of the Sar Panches and the Board of Directors of the block unions. During the year 1953-54 Rabi seed valued at Rs. 12.38 lakhs and Kharif seed worth Rs. 2.23 lakhs were distributed. Out of 52 districts in the State, three districts had a cent per cent recovery of Rabi seed and 339 seed stores could recover their loans in full. The average recovery of Rabi and Kharif seeds was 91.3 per cent and 91.6 per cent respectively. In addition to these figures, 3.9% Rabi seed was received in cash, thus raising the percentage recovery of Rabi seed to 95.2. The seed stores distributed during the year 4,517 maunds of Sanai seed, 876 maunds of Mung and 176 maunds of Dhenacha. With the construction of new buildings for 19 seed stores during the year, the total number of buildings constructed for housing the stores in the State stood at 334.

(b) *Distribution of Fertilizers* :—The block union also undertakes the distribution of both green manures and chemical fertilizers. The price of ammonium sulphate which is the most important chemical fertilizer was reduced by the Sindri Factory and as a result, the villagers are persuaded to purchase the fertilizers in over increasing quantities. The Grow-More Food Campaign initiated by the State Government, coupled with the Japanese method of paddy cultivation, has been responsible for increased use of chemical fertilizers in the State through the co-operatives which are situated within easy reach of the cultivators.

(c) *Distribution of Implements* :—The distribution of improved varieties of agricultural implements is also undertaken by the block unions. The implements are supplied by the Central Agency of the Uttar Pradesh Co-operative Federation.

(d) *Brick Kiln Industry* :—Brick-making is one of the most important rural industries of Uttar Pradesh. Ownership of the industry was until recently mainly in the hands of private persons who had no other interest than making undue profits out of it and the rate at which bricks were sold was so high that it had become pretty impossible to build pucca houses in rural areas. Introduction of rural development schemes on a large-scale in the State necessitated the establishment of a large number of brick kilns in villages for the purpose of making available adequate quantities of bricks at cheap rates with a view to implementing these projects. It was considered desirable, therefore, that the industry should be organized on co-operative lines. Past experience has shown that the brick kiln requires on an average an investment of Rs. 30,000 and would produce about 20 lakhs bricks per year. The profits earned out of this business are annexed by the block unions most of which run these brick kilns. Some of the brick kilns have also been started by the District Co-operative Federations. The Block Unions are expected to be financially sound and they would be in a position to have pucca seed store buildings within the next few years. The success of the co-operative brick kiln industry in rural areas run on co-operative lines has caught the imagination of the masses and had also been responsible for bringing down the rate at which bricks are sold. Rates for bricks were quoted during the year 1952-53 from Rs. 35 to Rs. 50 per thousand and they have been now re-

duced from Rs. 25 to 22 per thousand during the year 1953-54. The total investment of co-operatives in this industry is estimated to be over Rs. 1.5 crores and it was anticipated that nearly 1,000 crores of bricks would be manufactured by the end of 1954. The approximate number of persons that would secure employment in the industry is also estimated to be 4,000 and the number of brick kilns that would be working by the close of 1954 would be 700. One special advantage that a block union enjoys in running the industry is that all the profits earned during the first two years can be utilized in the construction of pucca seed store accommodation.

(e) *Consumer goods* :—Owing to the removal of controls, volume of sales of consumer goods effected by the block unions has dwindled considerably. It is only in the hill areas that the business is being transacted through the unions.

(f) *Marketing Activities* :—Owing to a continuous decline in prices of agricultural products it is not considered safe for the block unions to undertake activities in connection with marketing of agricultural products. Thus their utility has been reduced to that extent. The following statement shows the progress of block development unions for a period of four years ending with 1953-54 :—

Year	No. of Unions	Members		Owned Capital	Working Capital	Value of goods sold to members
		Individuals	Societies		in lakhs	in lakhs
				Rs.	Rs.	Rs.
1950-51	1,597	138,000	19,982	69.7	128.8	425.1
1951-52	1,666	159,500	21,604	104.5	351.9	489.0
1952-53	1,728	171,700	22,088	124.3	398.5	282.1
1953-54	1,738	184,945	24,307	141.12	427.12	250.51

District Co-operative Federations

All the block unions in districts are federated into a district co-operative federation which is the premier organization in a district for undertaking all sorts of co-operative activity except banking. A district federation is expected to guide, supervise,

control and co-ordinate co-operative activities in a district subject to the general control and supervision of the Pradeshik Co-operative Federation. There is a district federation in each district and it undertakes normally the wholesale distribution of raw materials, consumer goods and improved implements required for efficient agricultural production. It also maintains workshops for fabrication, repair and servicing of small implements useful for agricultural and cottage industries that cannot be maintained at the block union level. Some of the important activities in which a district co-operative federation is engaged are mentioned below :—

(1) *Brick Kilns* :—Out of 510 brick kilns in the State 194 are run by the district federations.

(2) *Tube Wells* :—Installation of tube wells in rural areas is another co-operative activity under a scheme sponsored by the State Government which grants a subsidy-cum-loan to the extent of 66 per cent of the total cost of construction of such wells ; 33% of the cost is treated as a grant-in-aid, the balance being treated as a loan. 235 tube wells had been constructed up to the year 1954, and it was proposed to bring the total to 550.

(3) *Distribution of Fertilizers* :—All the district federations are recognized as authorized distributors of sulphate of ammonia produced by the Sindri Factory. There are a number of sale depots opened by a district federation which sells considerable quantities of this manure.

(4) *Distribution of Cement, Iron and other Consumer Goods* :—A district federation undertakes the distribution of cement and iron to the agriculturists and others and is also assisting in the distribution of other consumer goods through co-operatives. Generally the more progressive district federations have undertaken other activities also that are worth mention, e.g., the Meerut District Federation is running a co-operative workshop for manufacturing agricultural implements and in addition, it marketed gur. The District Co-operative Federation at Almora has started a fruit preservation scheme, while that at Banaras has purchased a small forest for distributing wood as fuel amongst its members. An agricultural farm is being run by the District Co-operative Federation at Allaha-

bad. The District Co-operative Federations generally function as apex institutions of the districts concerned for all the marketing activities. Their number at the end of the co-operative year 1953-54 stood at 50 and they had a paid-up share capital of Rs. 20.39 lakhs and owned funds to the extent of Rs. 56.20 lakhs. Their working capital stood at Rs. 153.9 lakhs. They earned a net profit of Rs. 7.11 lakhs on their working during the year. The progress of the District Federations for the four years ending 1953-54 is indicated in the sub-joined table :—

Year	No. of Federations	Society Members	Owned Capital	Working Capital	Value of goods sold
			Rs. lakhs	Rs. lakhs	Rs. lakhs
1950-51	50	2,197	24.9	100.9	793.8
1951-52	51	2,531	40.8	126.3	1054.0
1952-53	51	2,440	49.7	126.6	192.9
1953-54	50	2540	56.20	153.9	162.8

Origin of the Pradeshik Co-operative Federation

The Pradeshik Co-operative Federation—the apex institution in the State for undertaking activities in connection with marketing, distribution and trading—was organized in July 1953. It traces its origin to the conditions arising out of the World War II. In 1941-42, though prices of many necessities of life were controlled by Government, the measures taken had become ineffective and prices rose to abnormal heights. There was a wide-spread feeling of helplessness all-round and profiteering had become rampant. In the circumstances, the District Magistrates of a few districts seized the available stocks of wheat and ata and entrusted the distribution of these commodities to the Assistant Registrars of Co-operative Societies in their jurisdiction. The Assistant Registrar was assisted by a Superintendent in each district in the matter of distribution of controlled commodities entrusted to him. As there was no suitable co-operative organization to carry on the work, it was done by the Assistant Registrars for some time until the Co-operative Development and Marketing Federation was started. The name of the Federation has now been changed to the Pradeshik Co-operative Federation. Even

prior to this, the question of starting a Provincial Co-operative Organization for the purpose of co-ordinating the activities of the marketing unions (later converted into block development unions) was already under the active consideration of the Co-operative Department in the State. Hence the objects of the Federation, as provided in its bye-laws, have been made as comprehensive as possible, so as to include both marketing and distribution activities. The objects of the Federation are :—

(1) To help its members to increase agricultural production by providing seed, improved implements and fertilizers, and raw materials, implements and tools for industrial production and such other general and technical assistance as may be deemed necessary.

(2) To assist the members in undertaking activities in connection with processing, grading, packing and marketing of their produce.

(3) To arrange for providing in bulk the requirements of its members in respect of both producer and consumer goods, and for processing, manufacturing, grading, packing of products and facilitating equitable distribution thereof.

(4) To Improve the supply and quality of milch and drought animals.

(5) To establish and run agricultural farms, orchards, dairies, dairy farms, workshops and factories on behalf of its members and for the purpose of demonstration.

(6) To give loans to its members for financing their legitimate business and to raise funds for the purpose.

(7) To organize and run schemes of co-operative insurance.

(8) To organize and arrange for undertaking transport services.

(9) To act as the Agent of the Government or any other institution for the purpose of procurement, supply, distribution and production of agricultural and other goods, in the general interest of its members.

(10) To guide, assist and supervise the working of its member-societies.

(11) To recruit, train, appoint, suspend, dismiss, censure, fine or otherwise punish the salaried staff and the staff of the organizations affiliated to it.

(b) *Membership of the Federation and Share Capital* :—The membership of the Federation is open to :—

(1) District Co-operative Development Federations and such District Central Co-operative Banks as are already its members.

(2) Central Co-operative Banks of districts where a District Co-operative Development Federation does not exist.

(3) Central Unions of Co-operative Consumers' Stores established in cities having a population exceeding 3 lakhs.

(4) Other Co-operative Societies which the Board of Directors may, for special reasons, decide to admit with the approval of the Registrar.

The nominal value of a share of the Federation has been fixed at Rs. 1,000/- and each member is required to subscribe to at least one share and pay for it. Shares held by a society affiliated to the Federation are not transferrable unless it is found that the society in question holds more shares than it needs.

(c) *Constitution of the Federation* :—The supreme authority of the Federation vests in the General Body of Members which consists of :—

(a) Delegates sent by member-societies.

(b) The President, the Secretary and the Manager, Provincial Co-operative Bank.

(c) The nominees of Government on the Board of Directors of the Federation.

A delegate ceases to act as such if he resigns or otherwise ceases to be a member of the society he represents, or if the society he represents ceases to be a member of the Federation, or if he becomes of unsound mind or otherwise becomes unfit

or incapable of discharging his duties as a member or if he is removed by the Federation for injuring the interests of the Federation. Individuals are not admitted to the membership of the Federation. The management of the Federation is entrusted to a Board of Directors which is comprised of :—

- (1) The President.
- (2) Twelve members elected by the delegates from amongst themselves.
- (3) Five nominees of the State Government.
- (4) The Secretary.
- (5) The Manager, U.P. Provincial Co-operative Bank.

The Board is also empowered to co-opt two persons as Directors from among delegates or others interested in the development of the co-operative movement. Sub-Committees are also formed for the day-to-day conduct of different types of business.

(d) *Progress of the Federation* :—The following statistics indicate the progress of the Federation during a period of three years ending 1952-53 :—

	1950-51	1951-52	1952-53
	(in lakhs)		
(1) Paid-up Share Capital ...	2.30	11.54	11.64
(2) Reserve and Other Funds ...	6.26	75.1	83.0
(3) Working Capital ...	447.6	343.9	350.0
(4) Turnover of Business ...	684.2	906.8	425.9
(5) Profits made ...	9.17	12.2	N.A.
(6) No. of Members (Societies only)	80	80	80
50 District Federations.			
30 Central Banks.			

During the year 1953-54 the Federation had a share capital of Rs. 11.74 lakhs and its reserve and other funds amounted to Rs. 95 lakhs. It had a business turnover of Rs. 1.25 crores in cloth, and of Rs. 68.98 lakhs in ammonium sulphate. It made a profit of Rs. 2 lakhs on its business transactions.

(e) *Activities of the Federation* :—The main business of the Federation has been so far the distribution of essential control-

led commodities like mill cloth, foodgrains, sugar, chemical fertilizers, etc. It operated both as a wholesaler and a retailer as well. It did wholesale business in cloth in 21 districts of the State. In five out of these districts, the District Co-operative Federations are undertaking it on behalf of the Pradeshik Federation. In other districts it is functioning directly. The turnover of business in mill cloth alone was in the neighbourhood of 225 lakhs during the year 1952-53. Several other activities were also undertaken by the Federation such as the running of the seed stores, distribution of charcoal and green manures, and consumer goods construction of tube wells and brick kilns, distribution of improved iron implements and running of a ghee-grading station at Shikohabad. Under the Plant Protection Scheme, it supplied 150 hand dusters and insecticides valued at Rs. 50,000/- in four districts in the State. It is also maintaining a show-room for the sale of products of cottage industries of Uttar Pradesh at Bombay. During recent years, it has begun the work of assembling radios and has also encouraged the marketing of herbs and medicines in hill districts. It also financed a Shellac Factory. While the Federation is principally engaged in the distribution of controlled or other commodities, its greatest drawback is that it has made no progress at all in regard to the marketing of agricultural produce on one ground or the other.

Ghee Sale Societies In U.P.

1. Ghee making is an important industry subsidiary to agriculture in U.P. and a source of additional income to the agriculturists. Production of ghee is largely concentrated in the Western and South-Western Districts of the State and its marketing is largely in the hands of middlemen, the ghee merchants who adulterate it with vegetable or other inferior and cheaper foreign oils or fats. This results in inconvenience both to consumers who have to consume adulterated ghee and to producers who get Rs. 15 to Rs. 25 less per maund than the market rate.

Attempts were made to start ghee-sale societies in the State as far back as 1930-31. At the outset they were formed in Agra, Manipuri, Itawah, Meerut, Bulandshahir Districts, and gradually they came to be established in other districts. Many of the ghee societies have been converted into multi-purpose so-

cieties during recent years, and that is why their number is gradually dwindling.

The Constitution, Working and Functions of a Ghee Society.

The organization of a Ghee-Sale Society is a simple affair. It is based on the principle of 'one village, one society'. The objects of the Society are :—

- (1) Collection and sale on a commission basis of ghee and other dairy produce of members ; and
- (2) Improvement of milch cattle by advancing loans for the purchase of cattle and by other means.

Membership is open to a person who is qualified under the Co-operative Societies Act, and is living in the area of operation of the society. In addition, he must possess at least one milking cow or buffalo. If a member ceases to own milch cattle, he ceases to be a member of the society. He must hold one share of the value of Rs. 10/-. Rs. 5 is payable on admission and the balance as and when called by the Committee. For failure to pay the instalment within a month of call, a member may be fined two pies per rupee for every month for which the instalment is overdue. The Society may also deduct two pies per rupee out of the price of ghee supplied by the member and credit it to his share account. The liability of a member for the debts of the society is limited to Rs. 50/-. Deposits received from members are not considerable and non-members' deposits can be accepted subject to the limits imposed by the Registrar, Co-operative Societies from time to time. A ghee society normally borrows funds from the District Central Co-operative Bank. The General Meeting of the Society has the same functions and exercises the same powers as in the case of a credit society and each member has only one vote. The Managing Committee consists of at least five members, including the President and the Vice-President. The Committee decides the terms and conditions of the loans to be granted to members and fixes the period of repayment. It also fixes the rate of commission at which ghee and other agricultural products are to be bought and sold. In addition, it arranges testing, grading cleaning and storing of ghee. Accounts and books are written up by one of the members who acts as the Secretary of the Society.

Loans

A member is advanced a loan up to Rs. 150/- for the purchase of a she-buffalo and up to Rs. 80/- for a cow. The rate of interest charged is $12\frac{1}{2}$ per cent. At the discretion of the Committee a loan up to 75 per cent of the value of ghee brought for sale to the society is granted and interest at the same rate is charged on it.

(a) *Purchase of Members' Ghee under the Kataun System :—* Members sell their ghee to the society under what is known as 'Kataun system'. Under this system a member enters into an agreement with the society for supplying a fixed quantity of ghee generally from one maund to two maunds per each buffalo spread over one full ghee season, commencing from 1st October of a year and ending with 30th September of the year following. The rate of ghee is fixed at Rs. 10 to Rs. 12 per maund less than the market rate ruling at Itawah. This rate is generally 5% higher than the rate paid by the merchants who contract to purchase ghee at Rs. 15 to Rs. 25 per maund less than the Itawah rate. The contract money is paid in advance by the society to the producer in lump for which the member borrowing hypothecates his milch cattle. If a member, however, fails to supply the stipulated quantity within the specified time, he is liable to give during the following season *sawai* or 25% more of ghee outstanding against him at the end of September or price thereof at the prevailing market rate. If, however, the member is unable to fulfil his obligations to the society because of accidents such as illness or abortion or death of animals, the penalty of 25% is waived. This system prevails in the Agra Circle. In the Meerut Circle another system is in vogue. There the society contracts with the members for the purchase of ghee at the prevailing market price in the village. Purchases are thus made at different rates according to fluctuations in prices. Advances are made by the society at the rate of interest realizable on *Ugabi* system. The rate of interest works at $18\frac{3}{4}$ per cent. The society acts as the agent of the union for the supply of ghee. The system in vogue in the Meerut Circle appears to be better than the Kataun system.

(b) *Collection of Members' Ghee and its Despatch to the Union :—* Once a fortnight on the day fixed, members bring ghee

in earthen pots for delivery to the management of the society. The physical examination of the ghee is made by the Panchayatdars before its acceptance in the presence of the supervisor or the accountant. Members' ghee is then weighed and an entry relating thereto is made in the books of the society. Ghee received from different members is then put into tins which are collectively weighed in a balance kept by the society. The tins are then marked with distinctive marks so that in case the ghee is found later to be defective the person from whom it is received could be easily traced. Every tin is then soldered and sealed by the accountant with the society's seal as well as with the circle seal in the presence of the Panchayatdars. After the tins are ready for despatch, they are sent along with the forwarding chalan in which the distinctive marks on the tins are also noted, to the supervisor in charge of the circle in which the society is situated. Each consignment is sent under the charge of a weighman. The supervisor forwards the ghee tins received by him to the union as soon as a cart-load of tins is collected from other societies in his circle. The accountant of the circle accompanies every consignment of ghee despatched to the union from the headquarters of the circle. Forwarding chalans received from societies are also sent along with consignments.

(e) The following table indicates the working of Ghee Sale Societies in the State for a period of three years ending with 30th June 1952 :—

Particulars				1949-50	1950-51	1951-52
(1)	No. of Societies	...	...	680	681	585
(2)	Membership	...	...	17,850	17,086	15,658
(Rs. in Lakhs)						
(3)	Paid-up Share Capital	...	...	0.83	0.46	0.46
(4)	Loans issued during the Year.	...	...	7.11	11.26	8.87
(5)	Value of Stock received as owners.	...	...	5.81	6.68	6.12
(6)	Value of Stock Sold, as owners.	...	...	6.68	7.16	7.07
(7)	Value of stock held at the end of the year as owners.	...	...	1.08	1.88	1.07
(8)	Net profit.	...	...	0.72	0.68	0.63

It will be seen from the above statistics that ghee sale societies have not been making much headway and their working is more or less static. The societies handled very insignificant proportion of the total quantity of ghee produced in Uttar Pradesh. Their number, membership and total value of sales have also been on the decline. This is attributed to the fact that prices of ghee are fluctuating in the market as the result of which members continue to sell their ghee to private traders, when the prices are high, in violation of their contract with the societies. The indigenous Kataun system appears also to be to some extent responsible for this state of affairs, as under the system solvent borrowers hold aloof from the societies and only the neediest producers enter into contracts with the societies. Members of societies are also reported to be adulterating the ghee with ease, which they dispose of in the market to the middlemen without any difficulty. Further, the societies are also reported to be not exercising proper control over the doings of members, with the result that they infringe the contract with impunity. The question of reorganization of the working of ghee sale societies is understood to be under the active consideration of the State Co-operative Department.

Ghee Sale Unions

The ghee societies are affiliated to Central Ghee Sale Unions. The objects of a ghee sale union are :—

- (1) To collect and sell the ghee of the member-societies and to co-ordinate their activities.
- (2) To test the purity of ghee and arrange for its storage and sale.
- (3) To clean and grade ghee and to open retail ghee shops and appoint agents for the sale of ghee in the markets.
- (4) To realize the price of ghee sold and to distribute the sale proceeds to the member-societies for remitting the same to the District Central Co-operative Bank, if the latter has made advances to the affiliated societies.
- (5) To arrange to supply stud bulls, fodder, and feeding stuffs for the milch cattle.

(a) *Membership* :—Membership is only open to Ghee sale societies which are required to conform to all the bye-laws of the Union and carry out instructions issued by it from time to time. The affiliated societies have to give facilities to the Union for the purpose of inspection of their affairs. The societies can get their affairs supervised and may rely on the union for proper guidance in the conduct of their business. Every member of the union has to pay an admission fee of Rs. 5/-. The liability of a member for the debts of the Union is limited to Rs. 10/-. The funds of the Union consist of (a) admission fees, (b) contributions, (c) commission, and (d) reserve fund etc. The affiliated societies contribute about Rs. 2/- per maund of the ghee contracted for sale to the Union. Each Union maintains a paid staff for collecting ghee and maintaining separate accounts for each affiliated society. The Union also fixes certain days in a month for each society for the collection of ghee and bringing it to its own office. Ghee received at its office is weighed and tested by refracto-meter test and finally filled in tins. The Ghee Unions sell a greater portion of ghee handled by them to the middlemen merchants in mandies on the basis of cash payment. Some of the Unions have also opened their own retail shops in their towns for selling ghee direct to the consumers.

Constitution of the Union

One nominated delegate from each of the affiliated societies has the right to attend the General meeting which consists of such delegates and three persons are nominated by the District Central Bank as its own delegates. Not more than two leading businessmen of the locality can be co-opted to the General Body. Every member has only one vote. The Committee of Management is composed of five members, three elected by the representatives of the societies, one nominated by the District Central Bank and one co-opted from its own officials by the State Co-operative Department. The Committee elects its own Chairman. The Union also works sometimes as the Agent of the Central Bank for disbursing loans granted and making recoveries thereof. It is paid a commission on these transactions. There were 13 ghee unions at the close of the co-operative year 1949-50, with

a paid-up share capital of Rs. 0.82 lakhs and the value of ghee purchased amounted to Rs. 2.44 lakhs. The total value of sales went up to Rs. 3.81 lakhs during the year 1950-51 but in the succeeding year sales dwindled to Rs. 2.95 lakhs only. During the year 1952-53, the total value of ghee sold by 11 ghee unions amounted to Rs. 3.21 lakhs.

The Constitution Functions and Working of the Ghee Union at Itawah

The Ghee Union at Etawah was registered in the year 1936 and it is the largest sale organization in the State. The area of the union extends over the whole of the Etawah district. The union has no individual members and only ghee sale societies dealing in ghee are affiliated to it. There are 11 ghee circles, each consisting of 15 to 20 societies in the district. Each circle is in charge of a supervisor and an accountant. Ghee is collected once a fortnight under the supervision of the supervisor and the accountant maintains accounts of ghee thus collected from different societies. The union has no share capital nor does it make any profit or loss. The bye-laws of the union prohibit acceptance of loans or deposits. In order to meet its expenses the union charges from its affiliated societies Re. 1 as commission and As. 6 as contribution for other expenses per maund of ghee contracted for supply during the previous year. The chief function of the union is to collect ghee from the affiliated societies and to arrange for its sale. The union further undertakes to clean, grade and to arrange for stocking of ghee. The union has opened retail sale depots and has also appointed wholesale agents for the sale of ghee. The object of the union is also to provide for giving advice on the improved methods of keeping milch cattle, arranging for medical aid during periods of epidemics amongst cattle, supply of milch cattle of improved breeds, and maintenance of stud bulls. All of these objects have not, however, been carried out into actual practice so far. The management of the union is entrusted to an executive committee of 12 members of whom not more than 9 are elected by the affiliated societies. One nominee of the financing bank and 2 nominees of the Registrar of Co-operative Societies have also places on it. The committee elects its own

chairman every year. The General Body of the union is the sovereign body consisting of one delegate elected by each affiliated society, three representatives of the financing bank and 3 nominees of the Registrar of Co-operative Societies, U.P.

Method of doing business by the Union and handling of ghee prior to sale :—As soon as consignments of ghee arrive at the union's office the secretary inspects every tin to satisfy himself whether the seals are intact. He then draws samples from each tin for refracto-metre test. These readings are maintained in a register maintained for the purpose and are scrutinized by the chairman from time to time. If adulteration is suspected in any tin, sample of the ghee is taken therefrom and sent for chemical analysis at a ghee grading station at Etawah on payment of a fee. If the analysis shows that the ghee is adulterated it is returned to the society and suitable action is taken against members concerned. Provision is also made in the bye-laws of the union for imposition of a fine up to Rs. 100 and even expulsion from the membership, if necessary. After the refracto-metre tests are over, the ghee tins are weighed by the secretary. He then compares the weight with that shown in the chalans received by the union from the circle supervisors. If ghee in any tin is suspected to be mixed with chhas or butter milk in excess of one seer per standard maund a sample is taken and heated with a view to finding out the proportion of chhas contained therein. If the test shows the percentage of adulteration to be in excess of the tolerance limit, the whole quantity in the tin is heated and the chhas removed. The loss so incurred is deducted and the balance of the ghee remaining in the tin only is credited to the society's account in its books. There are associations of ghee merchants at important Mandies in the State and the laboratories maintained by such associations facilitate testing and grading of ghee under proper control. The certificates issued by such laboratories as to the quality of ghee tested by them are helpful not only to the ghee trade in general but also to the members of ghee producers' societies. The union arranges to sell ghee collected from its constituent societies through the agency of the co-operative Adat shop working in the same building where the union has its office. Ghee of each circle is stocked and sold separately. The staff of the shop keeps itself informed of the daily rates of

ghee ruling in the market, and sales are effected with the approval of the chairman through a broker. The shop is responsible for recovering the price of ghee from buyers and paying the same to the societies concerned. According to the local trade practice the payment of sale proceeds is made on the third day of the sale. After the price of ghee is received from buyers the shop credits the amounts to the respective accounts of various societies concerned. The District Central Co-operative Bank thereafter issues receipts on the basis of which societies post their accounts. Ghee is sold either in the local market or to private consumers in the city. The Shikohabad and Etawah Unions have also continued the practice of selling ghee in outside markets like Delhi and Calcutta. The Etawah Union dispatched during the year 1939-40 as an experimental measure 2 wagons of ghee to a Calcutta firm of ghee packers under their brand and agmark seal. The market charges levied by the co-operative Adat shop at Etawah during the year 1939-40 were the same as those charged by ghee merchants and are given below :—

Commission	— $\frac{1}{2}$ per cent.
Dhalta	— 8 chhataks per maund which is passed on to the buyer.
Miscellaneous charges	— 5 chhataks per maund ; of these 3 chhataks per maund are taken by the broker appointed by the shop.

Milk Supply Societies and Unions

(a) *Primary Milk Society* :—The objects of a primary milk society in Uttar Pradesh are :—

(1) To obtain milk and dairy produce of members and to arrange for their sale to consumers ;

(2) To help the members in improving the breed of cattle, and

(3) To provide facilities for housing and grazing of the cattle of members.

The area of operation of a primary milk society is within five miles of the headquarters of a society. A person who is otherwise qualified to become a member of a village credit society is

eligible for membership, provided he resides within the area of operation and owns at least a milch cow or she-buffalo. He must in addition hold at least one share of Rs. 5/-. The maximum limit for individual share-holding is fixed at 200 shares. The funds of a primary milk society are derived from shares, loans and deposits reserve fund etc. The General Body of members is the supreme authority. It fixes the maximum rate to be paid to the members for their milk supply and the minimum rate at which it is to be sold in retail to consumers. The Committee of Management consists of five members including the Chairman. It fixes the price to be paid to the member and the price at which milk is to be sold to the consumer. It issues instructions for the disposal of surplus stock and makes arrangements for pasteurization and sterilization of milk and for the manufacture of dairy products, whenever necessary. It also purchases fodder and feeding stuffs in bulk, stocks them and sells them for cash to members, if members want them. It also purchases grazing grounds for the cattle of members and levies a rate for covering the cost involved. No loan is granted to a member from the funds of a society. The society maintains a record of milk testing and of the daily yield of milk of each cow and she-buffalo and keeps a ledger account of each member supplying milk to the society. Milking is done under the supervision of the Committee at one place in the village. Members are instructed to wash their hands and udders of animals with potassium permanganate solution. The milk is then sent in locked cans to the society to prevent adulteration. From there it is taken to the collecting centres where it is tested with a lacto-meter and boiled. The hot milk is then put in large cans and sealed, and then despatched to the union.

(b) *The Milk Supply Union* :—The primary milk supply societies are generally affiliated to a milk supply union. Membership of a Union is open both to societies and individuals. While the number of milk supply co-operatives increased from 435 to 440 at the end of the co-operative year 1954, the number of milk unions remained unchanged at 6 only. The quantity of milk supplied by these milk supply co-operatives increased to 1.84 lakh maunds, during the year 1953-54, with corresponding increase in the income of the members to Rs. 35.6 lakhs from

26.8 lakhs during the previous year. The earnings of all the six unions in the State rose to Rs. 2.55 lakhs during the year 1953-54.

(c) *Progress of Milk Supply Co-operatives and Unions* :—The following statement indicates the progress of milk supply co-operatives in the State for a period of three years ending with 30th June, 1953 :—

Year	No. of milk supply Socys.	No. of milk Unions	Quantity of milk supplied by socys. in lakhs of mds.	Price for milk paid to members (in lakhs of Rs.)	Interest free takavi to members (in lakhs)	No. of improved cattle
1950-51	376	6	1.28	19.01	1.50	1,368
1951-52	429	6	1.41	22.49	—	893
1952-53	435	6	1.58	25.63	—	897

Note:—During the year 1950-51 the Milk Co-operatives received a grant of Rs. 1.32 lakhs from the State Government.

The most important of the Milk Unions in the State is the Lucknow Co-operative Milk Union and its working is briefly described in the following paragraphs.

(a) *Objects and Membership* :—The Union was registered in March, 1938 but started doing work in November. Its objects are to develop the production of milk in rural areas, to collect it and then to sell it at Lucknow. The supply of improved breed of cattle is another important function of the Union. The Union arranges to bring milk from villages situated at a distance of more than 10 miles from Lucknow but less than 45 miles on both sides of the Sitapur and Sultanpur roads. Villages capable in giving two maunds of milk a day are selected in the Lucknow district. Usually a census of cattle is taken in villages and the approximate quantity of milk supply for different seasons worked out. This would give the number of additional cattle that would require to be supplied in each village. After ascertaining the number that is required, arrangements for the supply is then made. Membership is composed of individuals and societies who undertake to supply milk or its by-products to the Union. A person who delivers dry cattle for maintenance is eligible for associate membership. The associate member has to

pay the costs and charges for the maintenance of cattle and in addition he is required to pay Re. 1 annually. If he sells the milk through the Union, he is required to pay a commission of $6\frac{1}{2}\%$ on its value. An associate member has no right to vote and is not also entitled to any share of profits of the union.

(c) *Share capital of the Union and its Borrowings*.—A statement showing the financial condition and progress of the Union for a period of five years is given below :—

Year	No. of Socys. affiliated	Paid-up Share Capital (in thousands)	Statutory Reserve & other funds (in thousands)	Borrowing (in thousands)	Quantity of milk handled (Maunds)	Value of milk handled (in thousands)	Profit or Loss
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1949-50	80	19.74	1.8	208.86	27,226	404.47	—586/-
1950-51	"	20.38	2.8	1829.73	32,616	486.98	+49,956/-
1951-52	"	22.20	52.8	136.99	42,157	611.85	+49,463/-
1952-53	"	24.63	97.3	97.36	41,629	630.41	+55,887/-
1953-54	"	27.87	146.55	86.78	52,925	927.46	+85,039

From the above statistics it will be seen that share capital, reserve and other funds are substantially on the increase and borrowings have been reduced. Out of the total sum of Rs. 309,265 advanced by Government as interest-free tagavi loans for the purchase of milch animals, a sum of Rs. 25,682 was outstanding on 30th June 1954. This balance has also, been reduced by Rs. 22,366/-. leaving a small balance of Rs. 3,316/-. as the sum has been deposited with the Government Treasury, Lucknow, for repayment of the loan. A noteworthy feature of the working of the Union during a period of five years ending 1953-54 is that there has been a satisfactory increase in the daily quantity of milk handled from 75 maunds to 145 maunds and the price paid to milk producers has more than doubled. Government assistance received to meet a portion of the cost of the staff employed for the purpose of organizing societies came to a stop on April 1, 1951. From the same date also, Government stopped making interest-free tagavi loans for the purpose

of purchasing milch cattle. Government used to bear also the cost of services of the Manager since the time the post was converted into a gazetted one, but during the year 1953-54, Government passed orders directing the Union to bear the expenditure on account of the salary of the Manager with effect from 1st September 1953. Under the orders of the State Government the Union undertook the purchase and distribution of milk produced by the Government Farm at Gangina, Lucknow. On account of the high price paid for the milk received from the Government Farm, the Union could not sell on an average more than 13 maunds a day, with the result that the Union had to incur a loss of Rs. 38,165/-. This factor explains us to why there was a reduction in the amount of net profit made by the Union during the year 1953-54.

(3) *Management* :—The Board of Management of the Union consists of 5 representatives of societies, 2 of consumers, 2 nominees of the Co-operative Department and two persons co-opted by the Board with the Deputy Commissioner of Lucknow as an Ex-officio President. The day-today administration of the Society is entrusted to an Executive Committee comprising 7 members of the Board, of whom 4 must be representatives of societies.

(4) *The Dairy* :—The Dairy of the Union is housed in a rented specious building. It has an up-to-date apparatus and machinery for testing, cooling of milk, separating of cream and butter-making, etc.

(5) *The Collection of Milk and its Treatment* :—In every village having a milk supply society or a credit society or a multi-purpose society undertaking the supply of milk and which is affiliated to the Lucknow Milk Union, milking of animals is done at a common place before Panchayatdars in as hygienic conditions as are possible of attainment in villages. For this purpose, sheds and wells are constructed in some villages. Half the cost of the constructed shed and three-fourths of the cost of the well are met from the Government grant. After milking, milk is put into cans provided by the Union and delivered at the collecting centres or depots once in the morning and once in the evening at about 10 o'clock. Before the milk reaches

consumers it takes about 8 hours and hence the union made arrangements sometime back to heat the milk in water jackets at 160°F at the collecting centres. Before heating the milk it was also subjected to a lactometer test and if found adulterated it was returned to the society from which it was collected. After this test was over cans were despatched to the dairy of the Union where it was cooled to about 50°F. Cans were weighed after arrival at the office of the Dairy and verified with the Chalans showing the weight of the milk which was forwarded along with the cans by the collecting depot. After cooling the milk, it was kept in cold-storage. In every society a milk register was kept showing the quantity of milk received from each member, who was given a pass book where a corresponding entry was also made. Every society prepared every fortnight a consolidated statement showing quantities of milk supplied to the collecting depot or centre and the collecting depot or the centre consolidated all such statements received from societies attached to it and forwarded the same to the Union. After checking these statements the Union remitted the money to each society, for payment to its members through the collecting depot. The payment of money to individual members in the society was then made by it in the presense of its Panchayatdars. There were specific dates fixed by the Union for the disbursement of money through each centre. So far, the system of collecting milk as it obtained some years ago has been described. At present milk is neither heated nor cooled at the collecting centres but only raw milk is brought to Lucknow where the process of both heating and cooling is centralized. Formerly all the milk tests were used to be carried out in the Union's laboratory at Lucknow. This has also now been stopped and all tests are now conducted by the Government staff. Similarly milk supply societies in the mofussil organised in the past supply of milk only but during recent years they have undertaken other activities pertaining to multi-purpose societies. In a similar way, supervisors who were under dual control of the Co-operative Department and the Union in the past now carry on all activities pertaining to the Union only.

(6) *Fixation of Prices of Milk* :—The Union has been purchasing milk at fixed rates from its very inception and has been,

as a consequence, experiencing some difficulty in getting the requisite supply of milk. During summer months supply falls below the required quantity stipulated while during the rainy season it is in excess of the limit fixed which producers want the societies to buy. In order to regulate the supplies of milk, different rates of payment are now paid according to seasons. In order to increase the volume of milk sold during the year 1953-54, the price of milk was brought down from annas 10 to annas 8 a seer. This has had a good effect on private milk vendors and other private dairies which have thus been compelled to reduce their own rate.

(7) *System of distribution of Milk* :—Distribution of milk is now made in the sales depots located at different parts of the city both in the morning and evening and milk is supplied to these centres in motor trucks. The supply of milk in bottles is also undertaken by a motor lorry which goes round the city both in the morning and the evening. The turnover of milk has considerably increased and the quantity handled during 1953-54 stood at 145 maunds a day, as already mentioned.

(8) *Other activities of the Union* :—In addition to its ordinary business of the supply of wholesale milk to the city population of Lucknow the Union has undertaken a number of other activities as detailed below :—

(a) *Improvement of the breed of cattle and supply of Milch Cattle* :—For the proper development of milk production the first essential requisite is the improvement of the breed of cattle. With this object, good milch animals were imported from the Punjab and supplied to members, but the desired results could not be obtained because of bad feeding of the animals by the members. Increase in milk production is only possible if proper diet were given to the animals and green fodder is of very great importance in such diet. Members were, therefore, persuaded to grow fodder on a portion of land, but with no appreciable results. The Union itself decided to take 26 acres of land for growing fodder for consumption in the neighbouring societies and also for providing silo-pits. The Union has also initiated a scheme under which one society is selected in each centre for the replacement of all the inferior milch cattle of inferior breed

and uneconomic utility by those of good breed and economic value. Work on these lines is conducted with a view to providing more and cheaper milk of good quality. In order to improve the stock of cattle, one Sahiwal (cowbull) and one Mura buffalo bull were also maintained by the Union at its Dahila centre.

(b) *Cattle Fair* :—The Union also tried to establish a cattle fair at Amchi for the convenience of members wishing to purchase and sell their cattle. Because of the unsuitability of time fixed it did not attract many breeders. Instead of having a fair of its own, the Union contemplates running the cattle fair at Trivediganj, which is held in the month of October and at which about 1000 cattle come for sale.

(c) *Cattle Show* :—Cattle shows are also held at different centres of the Union from time to time and prizes are given as incentive for the improvement of the breed of animals and better production of milk. Many of the affiliated societies are taking keen interest in these shows and in one of the shows held by the Animal Husbandry and Planning Department, a large number of prizes were won by the members of the milk societies.

(d) *Cattle Insurance* :—The Scheme regarding the Cattle Insurance was not finalized nor was it approved by the Superintendent of Insurance. The amount set apart for the scheme amounted to Rs. 15,000/-.

(e) *Education in Dairying* :—A satisfactory feature of the working of the Union is that it imparts both theoretical as well as practical training in dairying free of charge to students reading for High School examinations. Such training was given to the students of the Kanya Mahavidyalaya and Kashmir Girls School at Lucknow during 1953-54. The Union took considerable interest in rural development work and gave grants to its affiliated societies for the purpose. A noteworthy feature of the working of the Union during 1953-54 is the co-ordination of the activities of the Union and of the Bhadrak Dairy Farm managed by the Animal Husbandry Department. The Bhadrak Dairy stopped its activities of processing and distribution of milk which were taken over by the Union. With the handling of greater quantities of milk by the Union, the cost of processing

and distribution has been reduced. This has also put a stop to the unhealthy competition that existed between two institutions involving as it did unnecessary duplication of activities.

The Dairy Development Scheme in U.P. in the Second Five Year Plan

During the Second Five-Year Plan an ambitious scheme has been formulated for the expansion of the Milk Schemes in U.P. The object of these schemes is to encourage the production of milk and milk products in rural areas and to ensure better returns to the agriculturists for this subsidiary occupation by establishing a suitable link on a co-operative basis between the producer and the consumer. The proposed schemes include the following items :—

(1) The establishment of a State Milk Board. The Board would be a statutory body with the following functions :—

- (i) Organization of new milk unions.
- (ii) Expansion of the existing milk unions.
- (iii) Co-ordination of dairy activities in the State.
- (iv) The establishment of a Central Workshop for the manufacture of dairy equipment.
- (v) The establishment of a Central Research Laboratory.
- (vi) The purchase and supply of raw materials required by the dairy institutions.
- (vii) Selection, training and appointment of technical staff.
- (viii) Undertaking legislation for the marketing of milk throughout the state.
- (ix) Organization and management of a factory for the manufacture of milk by-products, e.g., milk powder plant or rural creamery.

(2) Organization of New Milk Supply Unions in the State. Five new Unions are proposed to be started during the Plan period at Agra, Mathura, Aligarh, Bareilly, and Gorakhpur. Establishment of ten more ghee-grading stations is also envisaged under the auspices of the Statutory Milk Board.

(3) Establishment of Rural Creameries. Two rural creameries are proposed to be set up, one at Khurja and another at Shikohabad in order to utilize surplus milk from larger area than has been possible hitherto. It is estimated that they would be able to handle about 2,000 maunds of ghee per year, thus affording a great incentive to the producer of milk in the rural areas.

(4) Establishment of milk-powder plant. There is at present no drying plant in the State. In order to absorb surplus quantities of milk it is necessary to set up a processing and preservation service. With this object in view two milk-powder plants, one at Aligarh and another at Allahabad are proposed to be established to prepare baby foods and milk powder etc. It is expected that these plants will draw the surplus milk of the surrounding villages and the surplus milk of the milk unions within an area of 100—150 miles. The Unions themselves will work as distributing agencies of the milk bye-products manufactured by the drying plants.

Co-operative Marketing of Sugarcane

Introductory

The sugar industry in India is the second largest national industry, next only importance to cotton textiles. The value of sugar and jaggery produced in the country is estimated to be of the value of over 280 crores of rupees. The exceptional conditions created by the World War II led to the introduction of State control on the prices and distribution of sugar, which, with a short experiment in decontrol, continued up to the end of 1950-51. During 1950-51 the policy of selective control was adopted and continued during the succeeding year as well. The salient features of this policy were :—

(1) Free market sale of sugar produced in excess of 107% of the average production in the year 1948-49 and 1949-50.

(2) An increase in the minimum price of cane from Rs. 1-10-0 to Rs. 1-12-0 per maund.

(3) A corresponding increase in the price of sugar from Rs. 28-8 to Rs. 29 per maund.

With the continued improvement in the production of sugar, and in conformity with the declining trend of sugar prices both at home and abroad, the Government of India decided to reduce the minimum price for sugarcane to Rs. 1-5-0 per maund during 1952-53 for gate deliveries and to Rs. 1-3-0 per maund for delivery at railway centres. It was also decided that no statutory price for sugar should be fixed for the new season's production, but that release of stocks should be so regulated that a reserve of approximately 300,000 tons would always be available with the industry. It was further decided that there should be no control over the distribution of such sugar released from the factories but that if the market prices rose to an unreasonably high level, the Government would release sugar from reserve stocks at prices which they might then fix statutorily corresponding to the minimum prices for cane, and further they would also direct that such sugar should be sold through such distributive agencies as they might approve. It was also resolved not to fix any ceiling price for gur or khandsari in the next season nor to exercise any control over the movement of these commodities. Further, 2 lakh tons of sugar were permitted to be exported from the 1952-53 season or from the 1951-52 season's stocks carried over on replacement basis. All the above policy decisions, had naturally their influence direct or indirect on acreage production and prices of sugar in the country. As a result of the low sugar price policy, less land came to be under sugarcane, less cane was produced and crushed and still less sugar was manufactured in the factories. The factory production of sugar declined in the year 1952-53 and it amounted to 13,16,300 tons as against 14,83,100 tons in 1951-52, according to the statistics contained in the Sugar Industry Annual for 1953-54. The cultivators, according to the Sugar Industry Annual, having found the cane price in 1952-53 uneconomic in relation to the prices of other agricultural produce, preferred to grow another cash crop resulting in a reduction in the acreage under sugarcane by at least 10 per cent in 1952-53 season, a fall in the sugarcane production by 13 per cent and a fall in the quantity of cane crushed by 13 per cent and also in the fall of sugar production by 10 per cent as compared with 1951-52 season. The 1952-53 season also initiated an era of imports of sugar after lapse of several years in order to meet the deficit

in sugar production and to meet the increased demand. The sugar imported was to the extent of 1,37,000 tons at a cost of foreign exchange to the tune of 7.2 crores.

Important Facts of Sugar Industry in India

The following are the important facts of sugar industry for three years ending with 1953-54, as compared with statistics for the year 1950-51.

Particulars.	1950-51	1951-52	1952-53	1953-54
(1) Cane Area in acres (in millions)	4.2	4.8	4.38	4.1
(2) Cane Production (in million tons)	56.2	60.7	52.6	51.0
	Rs.	Rs.	Rs.	Rs.
(3) Prices per maund	1-12	1-12	1-5 Gate	1-7 Gate.
(4) Cane crushed (in lakh tons)	110	166	132	99
(5) Number of sugar factories:				
(a) Existing.	158	158	157	159
(b) Working.	138	139	134	134
(6) Sugar Factory Production (in lakh tons)	11.0	14.8	13.16	10.0
	Rs.	Rs.	Rs.	Rs.
(b) Price per maund (ex-factory) wholesale.	29-12-0	29-12 to 34-12	27/28 to 31/34	27/28 to 31/34
(c) Recovery percentage of sugar	—	9.52%	9.97%	10.03%
(7) Sugarcane yield per acre (in tons).	13.8	12.7	12.0	12.4

Statistics relating to different States

The trend of acreage under sugarcane, cane-production yield per acre, percentage recovery of sugar and total sugar production in the principal cane producing states in India are given in the following tables :—

Name of States.	1950-51	1951-52	1952-53
(A) Acreage :	in thousands		
(1) U.P.	2505	2905	2639
(2) Bihar	411	330	361
(3) Punjab.	306	388	371
(4) Madras.	267	282	263
(5) Bombay	188	218	186

Name of States				1950-51	1951-52	1952-53
(B) Cane Production.				<i>in thousand tons</i>		
(1) U. P.	...	...	...	2908	3169	2648
(2) Bihar	...	...	...	309	242	246
(3) Punjab.	...	...	...	364	456	416
(4) Madras	...	...	...	716	753	700
(5) Bombay	...	...	...	543	605	461
(C) Yield per acre.				<i>in lbs. per acre</i>		
(1) U. P.	...	...	...	2596	2394	2246
(2) Bihar	...	...	...	1684	1613	1526
(3) Punjab.	...	...	...	2665	2633	2500
(4) Madras.	...	...	...	6007	5981	5962
(5) Bombay.	...	...	...	6470	6362	5551
(D) Percentage Recovery of Sugar.						
(1) U. P.	...	...	...	9.81	9.27	9.75
(2) Bihar.	...	...	...	10.26	10.32	10.03
(3) Punjab	...	...	...	9.77	9.41	10.21
(4) Madras	...	...	...	9.85	8.62	9.38
(5) Bombay.	...	...	...	11.61	11.08	11.51
(E) Sugar Production.				<i>in thousand tons.</i>		
(1) U. P.	...	...	...	839	699	559
(2) Bihar.	...	...	...	224	272	145
(3) Punjab.	...	...	...	20	16	15
(4) Madras.	...	...	...	102	78	27
(5) Bombay	...	...	...	157	188	126
All India Total Production including other States not mentioned above.				1497	1392	1000

From the above statistics it may be noted that U.P. which produced nearly 65 per cent of the sugar produced in the country in 1951-52 produced only about 56 per cent of the total sugar in 1952-53. But its production was drastically cut by about 28 per cent as compared with 1951-52 production. Similar was the case with Bihar, another major sugar-producing State, where production dwindled to 1.45 lakh tons from 2.24 lakh tons. The above figures are indicative of the fact that decrease in cane prices has led to the fall in sugar production. The increase in production of other food crops during 1953-54 substantiates the claim that cultivator had switched over to other food crops.

The Cane Development Scheme in U.P.

About 70 per cent of sugar produced in India was manufactured in the past in sugar factories situated in the two States

of U.P. and Bihar. For various reasons the sugar industry has been concentrated in these two States and the number of sugar factories stood at 102. Of these 66 were actually working in U.P. and 27 in Bihar. A large number of units in the sugar industry in the State and State unions are below the optimum capacity. It has been estimated that about 80 factories are below the optimum size of 800 tons of cane-crushing capacity per day, with the result that the cost of production of sugar in India tends to be high and the profit margin of the uneconomic units low. The development of sugar industry in the two states has given rise to a number of problems connected with the industry, such as (1) zoning or reservation of areas, (2) licensing of sugar factories, (3) regulation of cane supplies, (4) development of cane, (5) supervision of weighments and payments for purchases of cane, (6) fixation of prices and improvement of transport and lastly (7) adjustment of relations between factory-owners and labourers. In U.P. the cane-co-operatives have played an important part in the solution of the problems connected with the development and regulation of supplies of cane. The cane development scheme in U.P. was first introduced towards the end of 1935 and owed its birth to the joint efforts of the then Director of Agriculture and the Registrar of Co-operative Societies, and the scheme was known as Allan Sahay Scheme. The main problem of sugar factories was to get fresh and high sucrose cane to the extent of their crushing capacity. But neither the development of cane nor its marketing was undertaken on any organized basis. The factories used to appoint different types of middlemen to collect the cane supplies from growers and the methods employed by these middlemen created conditions of great hardship to the cultivators who were greatly exploited. The system resulted also in corruption and malpractices practised on a large scale. The inconvenience and difficulties experienced by the cane-growers were in due course brought to the notice of the State Government, who realized the need for improving sugarcane qualitatively and quantitatively. The co-operative-cum-agricultural scheme for the supply and development of cane was in the first instance offered to the factories on a contributory basis. Government undertook to develop the cane in the home or gate areas of such factories as were willing to pay an annual contribution of Rs. 3,000/- to Government and

to purchase cane through a co-operative society functioning in the area. A co-operative society of cane-growers thus came to be regarded as a necessary institution for the development and marketing of cane, because it was felt that the officially sponsored schemes of development would not be productive of substantial benefit unless the cultivators themselves realized the need and gave support to such development schemes through their own co-operative organizations. It may be noted that the scheme of development of cane embraced several factors such as (1) introduction of high yielding and effective sucrose containing canes of early, midseason and late ripenings in suitable proportions, (2) introduction of better manuring practices, (3) better methods of cultivation, (4) counter-action against improper and excessive ratooning and preventive measures against pests. All this meant an amount of cheap credit for the cultivation of cane on a large scale which neither the Government alone nor the factories individually nor the individual growers by themselves were in a position to provide. For the working of the scheme, the State was divided into three divisions, viz., (1) Western, (2) Central and (3) Eastern. Each of these three divisions was put in charge of a Cane-Development Officer assisted by a host of other staff. Later the whole scheme was placed in charge of a Cane Commissioner who was also recognized and given powers of a Registrar in so far as the cane societies were concerned. The necessary staff was also appointed for the purpose of weighing sugarcane, distributing the cane supply tickets and making other arrangements for the supply of cane. If, however, any factory wished to have its own marketing arrangements instead of relying on Government staff, it was at liberty to do so. But in that event it was called upon to contribute a sum of 6,000/- a year towards the development work. With the assumption of power by the Congress Ministry in 1937, the Scheme was extended to almost all areas where sugarcane was produced and in the following year the U.P. Sugar Factory Control Act was passed. Government had to undertake legislation because the scheme being of a voluntary nature could not afford much assistance to co-operative societies, as many factories held aloof and the benefit of co-operative organization for the marketing of cane could be given to a limited area. The scheme was generally distasteful to the factories, as they did not like the control over their supplies

being taken away from them. Besides, they did not like the payment of commission thereon to Government. The Factories were afraid that they could no longer be in a position to exploit the growers, as they did previously. The enactment of the Sugar Factories Control Act in 1938 gave a considerable fillip to the co-operative organizations of cane-growers. In 1938-39 the number of cane co-operatives rose to 78 with a membership of 3 lakhs. By 1940-41, the number of cane societies increased to 81 with an increase in the membership to 6½ lakhs. By the close of 1951-52 the number of societies stood at 112, with a membership of 13.15 lakhs and the total working capital at Rs. 257.6 lakhs. They supplied in the aggregate 91.3% of the total cane crushed by the sugar factories.

The United Provinces Sugar Factories Control Act of 1938 (as amended up to 1953)

The Act is a landmark in the history of development of co-operative marketing of cane in the State. Its salient features are mentioned below :—

(1) Power is taken by the State Government for the establishment of a Sugar Control Board and a Sugar Commission for Uttar Pradesh. The Sugar Commission consists of a Sugar Commissioner and other members and the Sugar Commissioner is the Chairman of the Commission.

(2) The construction of new factories as well as continuance of the existing ones is made subject to the grant of a licence.

(3) The Factories are required to obtain an annual licence for crushing cane on payment of licence fees prescribed up to an amount not exceeding Rs. 100/-.

(4) The State Government has taken power to attach conditions to the licences issued by it in matters relating to :—

- (i) grading, marking and packing and storing of sugar for sale ;
- (ii) the prices at which sugar may be sold ;
- (iii) the agencies or organizations through which sugar may be sold ;

- (iv) the quantity of cane to be crushed during the crushing season or the quantity of sugar to be manufactured ;
- (v) terms of employment of labour.

(5) Notwithstanding anything contained in any licence granted to a factory, the State Government has power to fix the price and to regulate the terms on which and the organizations through which any variety or grade of sugar may be sold after consulting the Sugar Commission.

(6) Specific areas are reserved for each factory in order to facilitate the development of cane and make organization of cane-supply possible within the area. The area from which the cane is to be drawn is divided into two sections, viz., the Reserved Area and the Assigned Area. In the reserved area, sugarcane can only be purchased by a factory direct from the grower or through a cane-growers' society. No agents or other middlemen are permitted on behalf of the factories in the reserved area. The Cane Commissioner is empowered to issue an order, after consulting the Advisory Committee and the occupier of a factory, and after considering any objection raised, directing any area to be a reserved area for the purpose of sale of cane to a particular factory during a particular season.

(7) The occupier of a factory is required in the reserved area to maintain a register in the prescribed form of all cane-growers and cane-growers' co-operative societies who offered to sell cane to him.

(6) The State Government has taken power to declare cane of any variety to be unsuitable for use in all or any factories situated in the reserved areas.

(9) A cane-grower or a cane-growers' society in a reserved area may offer to the factory by the date appointed the quantity of cane produced by him or it, and the factory is bound to enter into an agreement with such grower or society. But an occupier of a factory is prohibited from purchasing cane grown by a member of a cane-growers' society except from such co-operative society. Without obtaining the permission of the State Government, the Factory-owner shall not employ an agent for the purchase of cane in the reserved area nor can the cane

grown in such area be sold to any factory other than that for which the area is reserved. Further, cane grown in a reserved area shall not be sold by any person other than a cane-grower or a cane-growers' co-operative society, but such cane-grower or the society can deliver cane to a factory through another cane-grower. A factory in the reserved area is prohibited from making purchases outside such area until it purchases all the cane offered to it in the reserved area, but such prohibition will not apply in respect of cane for the supply of which agreements in writing have been entered into before the issue of such direction.

(10) The Cane Commissioner is empowered to declare any area to be an assigned area, after complying with certain formalities and the factory in such assigned area is bound to purchase cane in such quantities as may be fixed by the Commissioner, but is not bound to make purchase of ratoon cane or cane of any variety that is declared as unsuitable. A factory-owner can purchase cane from cane-growers or cane-growers' societies or purchasing agents employed for the purpose but he is prohibited from making purchase of cane from a member of a cane-growers' society except through that society. The agent employed for the purchase of cane by an occupier of a factory must purchase cane in the assigned area from cane-growers or cane-growers' societies in respect of all the cane he has undertaken to supply. If, however, the cane-growers' societies in the assigned area are not willing to enter into agreements to supply or fail to supply the requisite quantity of cane, the owner of the factory or his agent may purchase the balance of the quantity of cane required outside the assigned area. Unless otherwise directed by the Collector outside the reserved area, no one except an owner of a factory or his agent or a cane-growers' co-operative society is permitted to purchase cane.

(ii) The Governor, after consulting the Sugar Control Board, is empowered to fix the minimum price at which the cane can be purchased by a factory-owner or his agent, and he is prohibited from making any deductions from the sale proceeds of cane on account of dues owing to him by a cane-grower or a cane-growers' society, except those that are allowed from time to time. The Governor may also direct a factory-owner to pay additional price

for special varieties of cane agreed to be sold to the factory, by a cane-grower or a cane-growers' society. Further, the State Government may direct him to pay additional price after taking into consideration the prices obtained for sugar manufactured in a particular season to be paid to the cane-grower or to the cane-growers' society as the case may be. The additional price to be paid would be in accordance with the scale prescribed by the State Government after consulting the Sugar Commission. The Act makes the licensing of purchasing agents compulsory, and prohibits the distribution of any variety of seed to be used by cane-growers or by their societies if that variety is declared unfit for seeding purposes. The Act imposes certain penalties if the factory-owner is guilty of acts of omission or commission mentioned therein and any other person contravening the provisions of the Act is similarly punished. The actions of the State Government or of its officers done in good faith in the exercise of authority conferred on them under the Act are protected and no suit or legal proceedings can be instituted against them. Thus the jurisdiction of civil courts is ousted.

(15) The State Government is also empowered to prescribe the manner in which non-members can sell their cane through co-operatives. The State Government has also the power to make rules under the Act for the purpose of carrying out the objects of the Act.

Thus co-operative societies are accorded special treatment by Legislature. According to the Sugar Industry Annual, the sugar factories are required to pay cess on cane at the rate of 3 annas per maund in the States of U.P., Bihar and Bombay and at 3½ annas per maund in the States of Madras and Mysore. Besides, sugar factories in U.P. and Bihar are called upon to pay a commission to the cane-growers' co-operative societies at the rate of 9 pies per maund of cane supplied through them. This levy is objected to on the ground that it is a high one, particularly in view of the fact that in the case of direct purchases made by factories, they are in a position to make purchases at a considerably lower expense. It is further contended that in view of the fact that the State Governments are already charging cess on cane, there is no justification for permitting societies to charge commission separately. It is further pointed out that the Tariff Board,

1950, had recommended the reduction in the rate of cess, and the discontinuance of the commission payable to co-operative societies.

(16) In this connection it is necessary to make mention that in a case that came before it, a Division Bench of the Allahabad High Court held sub-sections 1, 2 and 3 of Section 29 of the U.P. Sugar Factories Control Act as unconstitutional as they offended against the guarantee of equality before the law under the Indian Constitution. Their Lordships of the Allahabad High Court were giving judgments in three revision petitions.

In exercise of the powers conferred by Section 29(2) of the Act, the Governor issued a notification dated December 6, 1951, imposing a cess at the rate of three annas per maund on the entry of sugarcane into the local areas consisting of the premises of all the 67 sugar factories in the State during the crushing season of 1951-52.

The prosecution case against the applicant was that he infringed the provisions of Rule 25-A (2) by failing to deposit the cess in the months of November 1, 1951 to July, 1952. The cess for these nine months, which amounted to Rs. 12 lakhs, was paid after December, 1952.

Division into Classes

In the course of judgment, their Lordships said that under Section 29 of the Act, the public was divided into as many classes as there were discretionary powers conferred upon the Central and State Governments. The Governor undoubtedly divided sugarcane into classes and their division could not possibly be said to be against the provisions of Article 14 under which discrimination against persons and not against property was forbidden. But the real discrimination came in the State Government's being allowed to select persons from whom the tax or the cess was to be realised.

The Act itself had done nothing, but it had conferred powers upon the Governor and the State Government to do certain acts and there could be no difference between what it itself did and what it got done through the Governor and the State Govern-

ment. If what they were permitted to do, amounted to denial of equality before the law, Section 29 must itself be deemed, to deny equality before the law.

Sub-Sections 1, 2 and 3 of Section 29 of the U.P. Sugar Factories Control Act read as under :—

(1) The Governor may, after consulting the Board by notification, impose a tax on the sale of sugarcane at a rate not exceeding six pies per maund or at a rate not exceeding ten per cent of the sale price and may, by notification, exempt from such tax sales in any area, or any class or classes of such sales, to be specified in the notification.

(2) The Governor may, after consulting the Board, by notification, impose a cess not exceeding ten per cent of the minimum price, if any, fixed under section 21, or four annas a maund, whichever is higher, on the entry of sugarcane into a local area, specified in such notification, for consumption, use or sale therein :—

Provided that such cess shall not be imposed on the entry into any such area of any sugarcane in respect of the sale of which a tax imposed under sub-section (1) is payable :

Provided further that the State Government may, by notification, remit in whole or in part such cess in respect of sugarcane used or intended to be used in a factory for any purpose specified in such notification :

Provided further that the State Government may, by notification, remit, with effect from the 16th December, 1944, or from such other later date as may be specified in such notification, in whole or in part such cess in respect of sugarcane grown in an area and purchased at a centre specified in the aforesaid notification.

(3) The State Government shall make rules specifying the authority empowered to collect the tax or cess and the person from whom, and the manner in which, the tax or cess shall be collected.

Constitution and Working of Cane Unions

The operation of the Sugar Factories Control Act, coupled with the administrative measures taken by the State Government, gave considerable stimulus to the spread of co-operative organizations for the supply of cane to factories. Despite the opposition of some factories, cane co-operatives rapidly multiplied because of the legal support behind them and an enthusiastic field staff to implement the provisions of the Act and the Rules thereunder. As regards the organization of cane co-operatives, it may be stated that there is a cane union at the gate of practically every sugar factory; that is to say, at each centre at which a sugar factory makes purchases of cane, there is a co-operative union of cane-growers. All the villages round about a centre where purchases of cane are made by factories are included in the Union and the villages so covered within the area of operation of a union number as many as 200. The Union is, in fact, a big primary society admitting individual cane-growers directly as members, but there are also a number of primary cane-growers' societies operating within the area of operation of the Union which are also affiliated to the Union.

(a) *Objects of a Cane Union* :—The objects with which a cane union is established are :—

- (i) to improve and develop sugarcane cultivation of the members.
- (ii) to arrange for the orderly marketing of members' cane to the sugar factory.
- (iii) to borrow funds at reasonable rates of interest and to make advances to members at economic rates of interest for the cultivation of better varieties of cane.
- (iv) to supply the members better varieties of seed, chemical fertilizers and other agricultural requisites.
- (v) to bring about an improvement in the economic and social condition of members.
- (vi) to assist members in obtaining facilities in connection with financing and marketing of their products to their best advantage.

(b) *Membership* :—Membership of a cane union consists of three classes :—

- (i) Cultivators of sugarcane.
- (ii) A sugar factory to which cane is supplied.
- (iii) Any co-operative better farming society or a cane-supply society working within its jurisdiction.

An individual member has to pay an admission fee of 1 anna while a member society is required to pay 8 annas as admission fee. A sugar factory is charged Re. 1 as admission fee. Shares are of a nominal value of Rs. 5/-. The liability of an individual member or a factory for the debts of the union is fixed at Rs. 50/-. The liability of a member society is, however, fixed at Rs. 25/-.

(c) *Funds* :—The union raises its capital from the following sources :—

- (i) Entrance fees.
- (ii) Shares.
- (iii) Deposits.
- (iv) Borrowing from outside.

(d) *Loans* :—Loans for agricultural operations are made to an individual member up to an amount not exceeding Rs. 50/- per cultivated acre under sugarcane, but this amount may be raised up to Rs. 100/- with the permission of a Cane-Development Officer. Loans are generally advanced on the security of cane crop in addition to two personal sureties. In the case of a society-member, the maximum amount of loan that is given to it is fixed at Rs. 50/-, per each cultivated acre under cane of the members of that society.

(e) *Constitution and Management* :—The supreme authority of a society is vested in the General Body of Members. It consists of one delegate for every ten members elected by the village or a society, but no village elects more than two delegates. These delegates can be replaced, if the members of the village or the society so desires. The Board is elected by the General Body, as usual, except ex-officio members of the Board. It con-

sists of four directors elected by the delegates, two directors nominated by the factory and one director nominated by the Cane-Commissioner, and the Cane-Officers and Deputy Cane-Officers in the area are regarded as ex-officio directors.

(f) *Procedure for the supply of cane to Factories* :—The usual practice in regard to supply of cane to factories is that a preliminary survey of the area under cane sown by each member is undertaken in the months of April and May. This is done immediately after the sugarcane crop is sown. In order to ascertain the actual growers of the crop another survey is held in the months of July and August. The survey helps the societies also in ascertaining exactly the requirements of members for loans for cultivation purposes. The final survey is completed in the months of October and November when the results of all the surveys are recorded in a register kept for the purpose. This register shows village-wise the area under plant and ratoon crops, the name and address of the member and the estimated outturn of the crop. Out of this estimated quantity of production, 25% is left to the member for seeding and other purposes. The net outturn expected is separately mentioned in a statement signed by the member in token of his having agreed to sell that quantity of cane shown in the statement. The Society thereafter consolidates all such statements prepared village-wise, showing the net expected outturn of the crop and deducts therefrom a small percentage (say, 10) for unforeseen losses or shortage of crop or even default. On the basis of this total outturn, the society makes contracts with sugar factories. It then communicates to the factories the names of purchasing centres from which cane is proposed to be delivered. The factories accept the offers and enter into contracts with the societies accordingly. Before the cane supply actually begins, factories intimate to the societies concerned the quotas of sugarcane they propose to purchase from each centre. A programme of cane supply to be received from members attached to a particular centre is then drawn up. The total quantity available for supply to each factory is distributed on the number of days the factory is expected to work and every village is allotted the daily number of carts which would be taken from it. During the crushing season, supervisors and kamgars of the Cane Development Department prepare requisition slips or supply tickets

which are delivered to members in the villages for the supply of cane. These slips or tickets are delivered by cyclists four days before the supply of sugarcane in order to enable the members to take the requisite quantity of cane to the purchasing centre on the third day according to the supply calendar. The requisite slip or the supply ticket is divided into three parts:—part (1) is retained as counter-foil and part (2) contains particulars showing the name of the society, the date of delivery, the name of the village, the name of the member, variety of cane, maximum weight, date of issue, the name of the centre at which it is to be delivered. The third part contains particulars such as mill's weight, slip number, identification card number, tare weight, karda or refraction, net weight, rate at which purchased, price and signature. The requisite slip or the supply ticket is meant for one cart-load of cane supplied and is not transferable to any one, except the grower mentioned therein. Parts (2) and (3) of the requisition slip are handed over to the member concerned and without production of the requisition slip, the member's cart is not permitted to enter the premises of the factory. At the purchasing centre the factory also maintains its own staff for the purpose of weighing, loading and payment of price. Before the carts are permitted to enter the premises of a factory, the staff of the factory inspects the requisition slips, as no cart is ordinarily allowed to enter without a ticket and the chaprasis inspect the slips at the gate of a factory and issue identification cards bearing a particular number to each cartman with a view to determining the order of priority in which the carts are to be weighed. A queue is thus formed and when a cart reaches the weigh-bridge, the cartman hands over the supply ticket after the weighment is over. When the cart is weighed, the weighman prepares three copies of receipts, one of which serves as an office copy for record and the other two are handed over to the cartman. The receipt shows the gross weight, tare and net weight and weight deducted on account of binding material or dirt. The actual weight is rounded up in multiples of five shares $2\frac{1}{2}$ shares or more being counted as five shares and a quantity below it being ignored. The society's clerk at the purchasing centre daily fills in the weighment register giving reference to the supply ticket, mill weighment receipt number, net weight and the date of payment of price. A copy of this weighment register is also

furnished to the head office of the society. The payment of price is made to the members by the factory on presentation of the two receipts given to the cartman by the factory's weighmen. One of the receipts that is duly signed by the member is kept by the factory for office record and the other is returned to the member. The weighment and payment for the cane are made in presence of the Society's employees, which serve to ensure accuracy in the matter of weighment and also proper payment of the sale proceeds. If, however, there are any dues payable by the member to the society, one of the receipts given to the member contains directions to the cashier to withhold payment of the amount due and the Society's clerk realises this amount from the factory and the borrowing member is paid only the balance. The Society's Clerk at the Purchasing Centre submits a daily report to the Head Office of the Society, with details showing the daily supply of cane to the factory and prices realised. The Society then checks up at the Head Office the details in the report so sent and verifies the same with the supply tickets and details of weighment kept by itself. The factory also, in its own turn, prepares at the close of each day an account of cane supply received and issues a slip therefor after verifying the quantity received with the records maintained by the Clerk of the Co-operative Society, and this slip is then signed both by the Clerk of the Society and the representative of the Factory. Another slip is also prepared by the Factory showing the amounts deducted from the price payable on account of the dues to the society, and this slip is also signed jointly by the representative of the Factory and the Clerk of the Society. The Society prepares a fortnightly statement showing the amount of commission due to it from the Factory on account of the sale of sugarcane effected through it. In addition to the marketing of cane, the members of a Cane Union are also supplied with seeds and fertilizers on credit. Large quantities of Sanai seeds for green manuring and improved implements are also distributed to cane-growers through their co-operative organizations. Since both the Unions and the Societies get decent amounts of commission on account of sale of cane to factories, decent profits are made, part of which is also utilized for the social and economic amelioration of members. The Unions and Societies are

gradually extending their activities in such a way as to function as multi-purpose societies in a real sense.

The Working of a Primary Cane Supply Society

The objects of a primary cane supply society do not differ much from those of a Cane Union. Membership is open to an individual who is above the age of 18 residing or cultivating sugarcane or having landed property in the area of its operation. In other respects as well, its working is similar to that of a Cane Union. The Managing Committee of a Primary Cane Supply Society prepares seed indents required by its members and realizes the prices of seeds in advance. It arranges to supply the seeds of improved variety and ensures that members use improved methods of cultivation. It estimates the quantity of cane in the fields and arranges for finance, and it also sees to the punctual delivery of cane in stipulated quantities and according to terms agreed upon. At the close of the co-operative year 1949-50 there were 1,599 Primary Cane Supply Societies with a membership of 3,37,152 and having a paid-up share capital of Rs. 1.61 lakhs. The amount of loan outstanding with members was Rs. 10.07 lakhs. The following statement indicates the progress and financial condition of Cane Unions in U.P. for a period of four years ending 1953-54 :

Cane Union in Uttar Pradesh.

Year.	No. of Unions.	No. of Members. (individuals)	Working Capital (in lakhs)	Value of Cane Supplied to Factories. (in lakhs)	Commission earned (in lakhs)	Percentage of cane supplied by Unions to total cane crushed by Sugar Factories.
			Rs.	Rs. -	Rs.	
1950-51	105	1169,908	223.3	2573.5	59.7	88.0
1951-52.	112	1815,407	257.6	3668.5	101.2	96.3
1952-53.	111	1870,000	293.7	2416.0	85.2	93.3
		3,553 Socys. }				
1953-54.	112	1424,570	294.6	2015.9	67.9	94.7

The Federation of Cane Unions

The need for establishing a Provincial Federation—a representative body—to co-ordinate and consolidate the activities of the cane unions in the State, and for introducing uniformity in their policy and methods of work, has been felt as far back as 1946. The Committee appointed by the Government to enquire into the working of Cane Unions in the year 1946 recommended the formation of a Federation of Cane Unions which could deal with higher problems of the industry, establish cordial relations between the Factories and the Cane Unions and control the paid staff of the societies and safeguard their interests. In 1949, the Cane Commissioner convened a meeting of Representatives of the Cane Unions to discuss matters and to take steps for the organization of a Federation. Though certain initial difficulties based on differences of opinion between certain groups of cane unions came in the way, ultimately better understanding prevailed and the meeting of the representatives of the Unions passed the bye-laws of the Union placed before them unanimously, and the Federation was finally registered by the Cane Commissioner on 11th August 1949.

(a) *Objects of the Federation* :—The objects of the Federation as provided in its bye-laws are :—

(i) To safeguard the general interests of cane unions and cane-growers in the State and establish an efficient system of marketing of cane on co-operative lines

(ii) To promote cordial relations between the Cane Unions and the Sugar Factories.

(iii) To guide, assist, supervise, control and co-ordinate the activities of the Cane Unions in the State.

(iv) To promote agricultural development and undertake the supply of agricultural and other requisites for the Unions.

(v) To establish and maintain a Cane Union Service on a provincial basis with a view to introducing uniformity of service conditions and to provide security of tenure of the staff, and to provide for the undertaking of steps for proper recruitment, training and control of the various cadres of the Cane Union Service.

(vi) To serve as a representative agency of the Cane Unions and to carry out the various schemes of cane development formulated by the State Government, and to undertake the organization of supply work and promotion of rural reconstruction.

(b) *Administration*.—Regional and District Committees have been set up in order to carry on the work of the Federation and the Cane Development Officer in each area has been permitted to function as the Secretary of the Regional Committee, with a view to bringing about better collaboration between the Department and the Cane Unions in regard to matters relating to policy decisions and working of Unions at the Regional level.

(c) *Activities of the Federation*.—The Federation is an apex institution and is the natural outcome of the method of doing work on co-operative lines. Its activities include the preparation of manure mixtures, bulk purchases of manures and fertilizers, improved implements and their equitable distribution among the cane unions and societies. It had a total turnover of business in manures and fertilizers to the extent of about 80 lakhs of rupees, every year, and a volume of business amounting to Rs. 5 lakhs in improved implements. During the year 1953-54, the Federation distributed 19,421 tons of ammonium sulphate valued at Rs. 67.27 lakhs. Since the Unions spend large amounts annually on printing permanent and seasonal forms and registers required for their offices, the Federation set up a printing press of its own in order to provide requisite forms and registers at a cost of about Rs. 1.33 lakhs resulting in an annual saving of Rs. 20,000 in expenditure. During the year 1952-53, the Unions affiliated to the Federation distributed 44,631 maunds of oilcake, 1.64 lakh maunds of chemical fertilizers, 1.62 maunds of fertilizer mixture, 10,000 maunds of Sanai seed and 665 maunds of moong for green manuring. The working capital of the Federation was Rs. 12.40 lakhs at the close of the co-operative year 1954. Its owned capital stood at Rs. 9.33 lakhs and the Federation realized a total income of Rs. 3.26 lakhs during the year 1953-54. It may be noted that the Federation has achieved remarkable results during a brief span of its life and has also stood the test of time. It may be depended upon to cater to the needs of rural economy in the State and for extension of other

useful activities in respect of the elevation of the standard of living of the villager.

(d) At the end of this chapter are appended forms of agreement under Section 18(2) and 19(3) of the U.P. Sugar Factories Control Act as also forms of sugarcane production register and supply ticket. (These are taken from the Report on the Co-operative Marketing of agricultural produce in India pages 135, 136 and 137). A.M.A. Series No. 42 :

APPENDIX I

Form of Agreement between a Cane-Growers' Society and the Occupier the Factory

(Under Section 18(2) or Section 19(3) of the Act)

We the Cane-Growers' Co-operative Society, district, acting through its authorized representatives, hereinafter to be referred to as the first party, and the occupier of factory, hereinafter referred to as the second party, hereby enter into an agreement about the sale and purchase of cane on the following terms :—

1. The first party agrees to sell during the season 19 -19 the sugarcane crop of the members of the society standing on.. acres as detailed below with an approximate yield of maunds to the second party at the minimum price notified by Government subject to such deductions, if any, as may be notified by Government from time to time, provided that the price payable by the second party to the first party shall not in any case be lower than that paid generally by the second party to other growers in the villages in which co-operative societies operate. The first party further undertakes to supply good cane free from leaves, tops and roots at the factory gate or at purchasing centre in such quantities and on such dates as may be specified in the requisition slip issued by the occupier or manager of the factory in conformity with this agreement and the instruction issued by the Cane Commissioner.

2. The cane shall be taken by the second party in instalments equitably spread over the whole working period of the factory.

3. The second party shall pay to the first party commission at the rate of 9 pies per maund of the cane supplied. This commission shall ordinarily be paid monthly and the last instalment shall be paid within one month of the close of the crushing season. If it is not so paid, interest shall accrue at the rate of $7\frac{1}{2}\%$ per annum on all sums left unpaid.

4. In the event of wilful failure to supply at least eighty-five per cent of the estimated yield of cane from the area the crop of which has been contracted to be sold, excluding the quantity needed for seed, the first party shall be liable to pay the second party compensation at a rate not exceeding one anna per maund of such deficit.

5. In case the first party wilfully fails for a fortnight to supply cane to the second party in accordance with the requisition made by the second party, the first party shall cease to have a claim to sell cane to the 2nd party who shall be entitled to claim compensation.

6. The second party shall ordinarily send his requisition for cane to the first party at least four days before the cane is required and will not make changes within this period without sufficient reasons.

7. In the event of the second party wilfully failing to take delivery of the cane, which the first party is ready to deliver in accordance with this agreement, the second party shall be liable to pay to the first party the actual price of the quantity of such cane which he fails to purchase. In the event of the second party otherwise wilfully failing to purchase cane in accordance with this agreement he shall be liable to pay the first party compensation at a rate not exceeding one anna per maund for such quantity of cane as the second party fails to buy; provided that for any deficiency in the purchases in instalments fixed for the period after 1st April, the second party shall be liable to pay compensation to the first party at a rate not exceeding two annas per maund.

8. In the event of a breakdown at the factory or of other circumstances due to natural causes, calamities or accidents beyond human control arising to show that the second party will not be able to purchase the cane he has agreed to purchase, the first party, after giving a week's notice to the second party and with the previous permission of the Cane Commissioner, shall have the option of making other arrangements for the disposal of the cane and in such case no compensation shall be payable by either party to the other.

9. No compensation for breach of this agreement shall be payable by either party when such breach is due to natural causes, calamities or accidents beyond human control.

10. Any dispute between the parties regarding the quality and condition of the cane, the place of delivery, the instalments and other matters pertaining to this agreement, shall be referred to arbitration in the manner provided for in the rules. No suit shall lie in a civil or revenue court in respect of any such dispute.

Signature of the authorized
representatives of Cane-
growers' Co-operative Society,
Ltd.

Signature of the occupier or his
authorized representatives in
token of his accepting the above
contract.

Date.....

APPENDIX II

Form of Agreement between the Occupier of a Factory and the Purchasing Agent

(Under Section 19(3) of the Act)

I....., son of, caste....., resident
of occupation hereinafter to be re-
ferred to as the first party andthe occupier of
the factory, hereinafter to be re-
ferred to as the second party, hereby enter into an agreement
about the supply and purchase of cane on the following terms :—

1. The first party agrees to sell during the season 19-19
maunds of sugarcane from purchasing centre
to the second party, at the minimum price notified by Govern-
ment subject to such deduction, if any, as may be notified by
the Government from time to time. The first party further under-
takes to supply good cane free from leaves, tops and roots at
..... purchasing centre in such quantities and on

such dates as may be specified in the requisition slip issued by the occupier or manager of the factory in conformity with this agreement and the instructions issued by the Cane Commissioner.

2. The cane shall be taken by the second party in instalments equitably spread over the whole working period of the factory.

3. The second party shall pay to the first party commission atper maund on the amount of cane supplied.

4. In the event of failure to supply at least 85 per cent of the contracted quantity of cane the first party shall be liable to pay to the second party compensation at the rate not exceeding one anna per maund on such deficit.

5. In case the first party wilfully fails to supply cane to the second party for a fortnight according to the requisition made by the second party, the first party shall cease to have a claim to sell cane to the second party and the second party shall be entitled to claim compensation.

6. In the event of a breakdown at the factory or of other circumstances due to natural causes, calamities or accidents beyond human control, arising to show that the second party will not be able to purchase the cane he has agreed to purchase, the first party, after giving a week's notice to the second party and with the previous permission of the Cane Commissioner shall have the option of making other arrangements for the disposal of cane and in such case no compensation shall be payable by either party to the other.

7. The second party shall ordinarily send his requisition for cane to the first party once a week and will not make changes within this period without sufficient reasons.

8. In the event of the second party wilfully failing to take delivery of the cane, which the first party is ready to deliver in accordance with this agreement, the second party shall be liable to pay the first party the actual price of the quantity of such cane which he fails to purchase. In the event of the second party otherwise wilfully failing to purchase cane in accordance with this agreement, he shall be liable to pay the first party compensation at a rate not exceeding one anna per maund for such

quantity of cane as the second party fails to buy ; provided that for any deficiency in the purchases in the instalments fixed for the period after 1st April, the second party shall be liable to pay compensation to the first party at a rate not exceeding two annas per maund.

9. No compensation for breach of this agreement shall be payable by either party when such breach is due to natural causes, calamities or accidents beyond human control.

10. Any dispute between the parties regarding the quality and condition of the cane, the place of delivery, the instalments and other matters pertaining to this agreement, shall be referred to arbitration in the manner provided for in the rules. No suit shall lie in a civil or revenue court in respect of any such dispute.

Signature of the authorized representatives
of Cane-Growers' Co-operative Society,
Ltd.

Date _____

Signature of the occupier or
his authorized representatives
in token of his accepting the
above contract.

Area under sugarcane.

Village.	Desi or (Indigenous variety)	Ratoon.	Improved. Plant.	Approximate yield in maunds.	Remarks
1	2	3	4	5	6

APPENDIX III.
Forms of Supply ticket.

A

Date of Purchase. Book No.
Name of Grower.
Village. Serial No.
Variety.
Date of issue.

B

Book No. Serial No.
Moradabad cane Society
Date of delivery
Centre.
Village.
Name.

Ref. to supply ledger.
Ref. to loan ledger.
Variety of cane.
Maximum weight.
Date of issue.
Signature.

C

No. of Mill's weighment slip.
Identification Card No.
Gross weight.
Balance.
Karda.
Net weight.
Rate.
Price.
Signature.

Note.—(1) This ticket is for the supply of one cart load of cane.
(2) This ticket is not transferable to any person other than the grower mentioned in it.

Cane-Growers' Co-operative Societies in Bihar

Co-operative marketing societies in Bihar are chiefly concerned with the marketing of sugarcane and the pattern of their development follows that of their counterparts in Uttar Pradesh. But the main difference between the two types is that whereas in Uttar Pradesh, membership of the Cane Unions consists mostly of individual cane-growers who are admitted directly as members, in Bihar the membership of cane unions is restricted to Cane-growers' Co-operative Societies which are production and sale societies. Sugar Factories within the area of operation of a union are also admitted as members. Besides cane-growers' societies, there are also a few vegetable-growers' co-operative societies in the State. The cane-growers' societies obtain credit for the purchase of seeds and fertilizers from the Central Co-operative Banks and also from sugar factories. They do not, however, undertake the pooling and grading of members' produce. The unions to which the primaries are affiliated sell the cane belonging to the member-societies on a commission basis to sugar factories whose number was 30.

(2) Primary Sugar-Cane Growers' societies in Reserved Areas : Under the Bihar Sugar Factories Act a factory is bound to take the cane offered from an area reserved for it. A reserved area is expected to supply 50% of the cane requirements of a factory. It is expected that the area which would be developed in course of time would supply all the cane needed by a sugar factory. The outer ring from which a sugar factory is expected to take about 30% of the requirements of a factory is known as the assigned area. In reserved areas the cane co-operative is assigned a special place. In a village in a reserved area where 2/3rds of the growers join a cane growers' society, the remaining 1/3rd of the growers are compelled to sell their cane through that society. In other words the entire cane of the village must be marketed through a cane-growers' society if 2/3rds of the villagers have joined that society for the marketing of cane.

(3) Area of operation, membership, constitution and working of a primary cane-growers' society : The area of operation of a sugar cane society is limited to one village and its membership is open to a cane-grower who is above the age of majority. A

cane-grower is required to subscribe to at least one share of the value of Rs. 5/- which may be paid in instalments. The liability of the member for the debts of the society is limited to 5 times the value of the shares held by him. The maximum number of shares a member may hold may be limited to 40. A sugar factory purchasing cane from the society may have the liability of the member of the society fixed upto Rs. 1,000/- for its debts. The affairs of a cane-growers' society are entrusted to a managing committee consisting of 5 to 9 members of whom one is nominated by the Registrar of Co-operative societies.

(3) Loans : A cane-growers' society borrows funds from the Union to which it is affiliated and the Union in its turn borrows funds either from the sugar factory or from the Central Co-operative Bank. A primary cane-growers' society advances loans to its members upto 10 times the paid up share capital a member holds or 40% of the estimated value of the cane crop whichever is less. The Central Bank lends to the Union at the rate of $5\frac{1}{2}\%$ which is passed on at the same rate to the primary society. The Union gets a rebate $1\frac{1}{2}\%$ on the amounts of loans repaid by affiliated societies. A sugar factory lends to the Union at 6% which is also passed on at the same rate to the primary society. The primary society itself keeps a margin $1\frac{1}{4}\%$ on these loans. Credits are advanced shortly before the crop is cut and the cultivators generally go short of credit when they need money for cultivation expenses. Some cane societies were also financed by the State Co-operative Bank at 4% through their unions. A cane co-operative also distributes to its members on credit without charging any interest fertilizers, which it receives from the Union, the Central Bank or the Credit Agricole. Some Unions charge 6% interest on these loans in kind and others do not. The Sugar Cane Research Station, Pusa, supplies different varieties of cane for testing on factory farms, but the distribution to growers through societies and unions of insecticides is not well organised. Instead of individual distribution that is now followed distribution of insecticides on a mass scale is necessary. Manure is at present distributed both by the factory and the Credit Agricole. An improvement in the present system of distribution of seeds, manures and insecticides appears to be called for by harnessing only one agency for the purpose.

(4) Method of supplying cane to factories : Every member is required to execute an agreement in favour of the primary cane growers' society that he would abide by the instructions issued to him by the managing committee from time to time, in respect of cultivation and disposal of cane. The estimate of acreage under cane is jointly made by the Union and the factory. The allotment of cane for each village on the basis of acreage is made by the factory. For the allotted cane the factory distributes the coupons at the rate of 1 coupon for a cart load of sugarcane. These coupons are distributed by the union to the Secretaries of societies. The joint estimation does not take into account the yield of cane, and the intensive grower of cane has, therefore, no incentive to increase the yield. The estimation, it is understood, also fails to assess the extent of available supply in each village. The union exaggerates it with a view to getting more coupons with the result that in the end, it fails to supply cane for all the coupons. The factory, also, it is understood, underestimates so that it might buy cane directly by means right and wrong and thus avoid the payment of commission of 9 pies per maund. The difficulties experienced by the growers of cane are due to the fact that the coupons are said to be not distributed impartially and in time and as a result some of them suffer owing to the cane being damaged as it is kept with them for a long period.

(5) Progress and financial condition of cane co-operatives : The following statement indicates the progress made by cane co-operatives during a period of 3 years ending 1953-54.

		1951-52	1952-53	1953-54
(1) No. of societies	... ..	6,420	6,946	7,208
(2) Membership	... ..	2,24,478	2,48,310	2,55,188
		lakhs	lakhs	lakhs
(3) Paid-up Share Capital	... ..	N.A.	11.20	12.52
(4) Loans issued	... ..	13.92	N.A.	42.56
(5) Value of sugarcane sold	... ..	300.4	400.20	200.31
(6) Commission earned	... ..	N.A.	15.71	7.71
(7) Working capital	... ..	N.A.	33.39	47.01

The considerable drop noticed in the turnover of cane during 1953-54 is attributed to the fact that 1953-54 season was one of

low production due to drought and floods in North Bihar where a majority of sugar mills are concentrated. The quantity of cane grown declined as a consequence from 7.40 lakh maunds in the previous year to 3.94 lakhs maunds during 1953-54. Thus the supply of cane for marketing was seriously affected. Though the primary cane-growers' societies are small in point of membership and area covered, proper distribution of credit, seeds, manure, an assured margin of decent profit, a guaranteed market, enforcement of compulsory admission to membership of rich and medium owners of lands who but for law might prefer to sell cane direct to the factory and adequate supervision have all resulted in securing to cane growers' societies a greater volume of business than the multi-purpose co-operative societies. It is reported that 45% of the cane supplied to the factories came from cane co-operatives. It is also reported that many societies maintained better paid staff and were in charge of better leadership. Nevertheless according to an account given by Shri K. G. Shivaswamy in his book entitled "Co-operative Movement in Bihar" larger membership, bigger loans, larger share capital and increased amount of supply of manure did not indicate progress commensurate with guaranteed marketing and a special Co-operative development staff. He gives the reasons in the following paragraph :—

"This poor progress is due to many causes. Despite reservation of areas which practically secures a monopoly to societies, societies did not exist in all the villages and even where they existed they were not able to cover the whole population. The opposition of the big growers who gained little by joining a society but lost the commission of 9 pies per maund from the factory, the resistance of the factories, the inefficiency of the societies, the better services by way of loans, manures marketing of cane and payment of price offered by the factory are all the causes of the slow expansion of co-operation. One of the causes of poor progress is the failure of Government to ensure that the factory gets the cane from the area reserved for it. So long as the zonal restriction is violated by the factory owners and there is encroachment on the cane reserved for one factory by another, it is difficult to find whether all the cane is marketed in reserved area through societies which have the monopoly of marketing;

The enforcement of reservation depends on Government whose writ does not seem to run in the case of certain influential factory owners. Sometimes cane comes to a factory from outside the source of supply when railway centres are unable to load cane for a particular factory or a better price is paid by these smuggling factories. The changing of the area from the reserved to the free category also affect the growth of the societies.

(6) Cane Development Work : 50% of the commission earned on cane supply business is ear-marked for cane development work. Details of work done during 1953-54 in this regard are given below :—

<i>Items</i>	<i>Quantity</i>
(1) Supply of cane seed to members ...	4.50 lakhs maunds
(2) Supply of oil-cake	38.000 maunds
(3) Supply of Chemical Fertilizers	1.37 lakhs maunds
(4) Pumping sets supplied	8 (number)
(5) Rahat pumps supplied	775 (number)
(6) Manure pits prepared	68.6 (thousand)
(7) Compost Heaps prepared	22.1 (thousand)
(8) Well sunk for irrigation	73 (number)

(7) Supervision : Till 1947 sugarcane co-operatives were under a single Registrar of Co-operative Societies and not two Registrars. Upto this period the malpractices in cane unions such as unfair distribution of coupons, delay in payment of sale proceeds by Directors, and defalcations by office bearers were looked after by him. Supervision over the societies is at present in the hands of a special Assistant Registrar C.S. for each district. For certain cane growing areas he is assisted by an Organiser for every 100 to 150 societies which supply about 6 lakh maunds of cane every year. Each Organiser has 4 Supervisors under him to supervise about 30 to 40 societies.

(1) *Cane Marketing Unions* :—The primary cane co-operatives are federated into unions which numbered 60 at the end of the co-operative year 1949-50. The representatives of societies formed the general body of the union which selects the executive body. The Sub-Divisional Officer in some cases is the Chairman of the executive committee and the Deputy Chair-

man is elected every year. It is not necessary that the representative chosen by an affiliated society should be an office bearer of a society, hence a secretary of the union may also be an ordinary member who may have not contact with the latter. During 1949-50 the unions marketed sugarcane valued at Rs. 33.29 lakhs as owners and Rs. 233.63 lakhs as agents. The paid up share capital and working capital were Rs. 0.55 lakhs and Rs. 15.69 lakhs respectively. The progress made by the cane marketing unions during 1952-53 and 1953-54 is given in the following statement :—

<i>Particulars</i>					1952-53	1953-54
1.	No. of Unions...	...	...	...	60	67
2.	No. of members-					
	(a) affiliated societies	...	...	...	6,490	7,203
	(b) individuals	...	...	...	23,046	-
3.	Paid up share capital (in lakhs)	...	...	...	2.57	2.83
4.	Reserve and Other Funds (in lakhs)	...	...	...	N.A.	18.23
5.	Loans Issued (in lakhs)	...	...	...	22.57	30.51
6.	Value of members produce marketed					
	(a) As owners (in lakhs)	...	...	...	1.84	2.52
	(b) As Agents (in lakhs)	...	...	...	371.00	199.41
7.	Net Profit (In lakhs)	...	...	...	4.63	2.17

(2) *Payment of Commission by a Sugar Factory* :—The factory pays a commission of 9 pies per maund which is distributed at 2 pies for primary cane co-operatives, $2\frac{1}{2}$ pies for the union and $4\frac{1}{2}$ pies for the development work entrusted to the union. The Unions, we are told, had more funds than they could spend. They invest their surplus funds in development loans of the Government. The surplus according to Shri K. G. Shivaswamy indicates either anæmic conditions or possession of excess funds or stagnation due to absence of sound rules for expenditure and efficiency of the directing staff or the operation of all these factors in the working of a union.

(3) *Development work* :—The Assistant Director of Agriculture (Cane) is responsible for cane development for each group of factories. He organises demonstration plots and arranges for the distribution of new improved cane sets. He is assisted by a Cane Development Committee for each factory area. He is responsible for so developing the reserved areas that factories might get their full requirements from them. He is also assisted

by two Agricultural Inspectors and 8 Kamgars for development work which requires a lot of technical assistance. The ploughing of sanai as green manure, proper application of neem and gammaxin to prevent attack of white ants, proper irrigation in time and application of fertilisers in correct doses need personal inspection and supervision of different operations. The control over sugarcane growers' unions that have got funds for development work does not rest in this Development Officer who is simply responsible for cane development work but in Assistant Registrars of Co-operative Societies who are not technically qualified for this type of work; co-ordination of activities of both is called for in order to achieve the best results.

(4) *Other Activities of Cane Co-operatives*:—Both the societies and unions carried on other activities leading to social welfare and economic betterment of their members as detailed below :—

(a) Seven tanks were excavated partly for bathing and partly for irrigation purposes from out of the Common Good Funds collected to the extent of Rs. 53,960/-.

(b) Forty village approach roads of the length of 50 miles were repaired with a view to facilitating the transport of members' cane to the Factories weigh-bridge.

(c) 306 libraries were started with the financial assistance made available from the affiliated societies, and mass literary centres were opened in a few circles.

(d) 27 of the Unions have got their own office buildings.

(5) *Irrigational facilities*:—Shri K. G. Shivaswamy in his book mentioned already writes that much remains to be done in the matter of providing regulated irrigation. Excess of supply of water during the last months before the harvest increases the weight of the cane without adding to sugar content. Thus a factory loses by paying a high price for this cane. A lot of water is also wasted in channels freshly made with mud banks. Irrigation during the hot weather is necessary for sugar cane but many tube wells, we are told, did not function in Champaran and Saran districts. The few that functioned were not utilised by the small farmers as the latter were not prepared to take water

though the rates were reasonable. Some could not work for want of power. Unfair distribution of water and discriminatory levy of charges by the distributing staff in a few areas also prevented some cultivators from taking advantage of tube wells.

(6) *The Working of Guraru Sugar Factory* :—The Guraru Sugar Factory was leased by the official liquidator for two years to the Guraru Co-operative Cane Development and Marketing Union on condition that 40% of net profits or Rs. 20,000 whichever is more should be paid as rent for the use of the factory buildings and premises. The Union took over the factory in December 1952. It could not start work till 26th December owing to want of weigh-bridges and delay in allotment of wagons. The workers in the factory formed a society of their own for running the factory and purchased shares of the value of Rs. 20,000/-. The Cane-growers' Society also purchased shares in this society. A Sum of 2 annas per maund of cane supplied at the gate and 1 anna at out-stations was deducted for each cane grower from sale proceeds and credited to his share account. The society in its turn invested the whole of its share capital amounting to Rs. 85,000 in the Guraru Marketing Union. The Union borrows from the State Co-operative Bank for its working expenses. It has constituted a Central Board and an Advisory Committee for managing the factory ; with a working capital of Rs. 5 lakhs the factory was able to function because the Government of India permitted regular releases of sugar manufactured by the factory. A special officer of Government is in charge of Guraru Marketing Union. The Union is reported to have done well in the matter of percentage of recovery of sugar compared to the factories of south Bihar. Its success is reported to be due to the whole-hearted co-operation of multi-purpose co-operatives and of the cane-growers and of the workers employed in the factory. Its success was also attributed to the sympathetic attitude of the Cane Department ; Factory operation is reported to be satisfactory though the expenses incurred were higher than normal.

(7) *Difficulties Experienced by Cane Co-operatives* :—Shri K. G. Shivaswamy mentions in his book about the lawlessness among the youths in the cane areas particularly in Saran and Shahabad districts as a result of which the cane co-operatives are put to

losses. This is what he writes. (Vide paragraph 12 page 29). "Young men pilfered cane in transit on the tram lines of a factory. School authorities were unhelpful. For four weeks ten constables had to be posted for patrol by the District Magistrate in respect of tram and railway transport of the cane of a factory. This kind of pilferage was on the increase on the level crossings where the wagons had to stop for long periods at distance signals. Some times hooligans and some railway employees join in this pilferage. To take another example, Government increased the canal rate which was an extremely low rate at Rs. 3 per acre by another Rs. 3. Land owners took the law into their hands and refused to pay. A canal Tahisildar was assaulted". After careful personal investigation and study on the spot of particular cases Shri K. G. Shivaswamy has made a number of useful recommendations for the improvement and development of the marketing scheme for cane co-operatives in the State. His opinions, suggestions, and recommendations (vide page 108) are listed below :—

1. These should be amalgamated with multi-purpose societies. They are State agencies for marketing of cane. Many of them have a monopoly over cane marketing hence cultivators are at their mercy in raising the credit. Societies which have a guaranteed market for cane supply to factories should have an efficient paid staff and give at least service equal to that of the private factory to the cane grower.
2. Government had the responsibility to see that zonal restriction for factories was not violated by them. They could not with justice ask a factory to confine its intake of cane from a defined zone if another factory could seize the cane and run away with the bit in the mouth.
3. Estimation of cane should be jointly done by the factory and the staff of cane-growers' unions on the basis of yield. Coupons should be distributed in order of quality and payment should be by quality instead of by weight.
4. The payment of cane price should be on the spot by the Central Co-operative Bank or its Branch on behalf of primaries.

5. The cane-growers' societies converted into multi-purpose societies should get loans from the Central Co-operative Bank at 4% and lend to the grower at 6½%.
6. The Developmental staff of the Agricultural Department should be responsible for the working of societies.
7. The Department of Law and Order is not able to prevent pilferage of cane in certain areas.
8. The recommendation of Tariff Board to set apart 4 annas per c.w.t. of white sugar for development should be put into force by the Union Government.
9. Development Funds should be used for irrigation, land improvements construction of warehouses, and purchase of transport lorries and not used for running expenses nor invested in Government loans.
10. Sugarcane Unions should be converted into supply and marketing societies with multi-purpose societies as their affiliates.
11. Future sugar factories should be promoted like the Guraru factory as an activity of union of multi-purpose co-operative societies.

Vegetable Growers' Co-operatives

The Vegetable Growers' Co-operative Societies in the State were developed after 1946 by posting a special Marketing Officer for this work. The post has since been abolished. These societies were mainly organised in villages in the districts of Ranchi and Hazaribagh. More wells have been dug in the areas of these societies and lift pumps were also in use for irrigation purposes. At the end of June 1952 there were 78 societies, with 1,500 members. They sold 10,546 maunds of vegetables valued at Rs. 82,383. The cultivators got Rs. 8 per maund which was considered to be a good price. These societies have come to be merged with multi-purpose societies with effect from 1st April 1953. According to Shri K. G. Shivaswamy the following were the experiences in the working of vegetable growers' societies.

In the societies close to Hazaribagh the members thought that society was dissolved as soon as the special staff were withdrawn. The general staff of the department took little interest. The members hired trucks and sent vegetables on their own account without the aid of the society. In one society the members were disappointed as the bank would not grant them any credit. In another society 13 out of 20 share holders had taken a loan of Rs. 2,130 for purchase of potato seeds. They were badly in need of a truck to carry vegetables to Dhanbad, Tanti, Dharua Mines. Many societies formed by Ex-Assistant Marketing Officer needed revival. According to Shri K. G. Shivaswamy their merging in multipurpose co-operatives was the best that could happen for their success in future.

V Orissa

Co-operative Marketing of Agricultural Produce

The total number of marketing co-operatives of different types, including purely marketing organisations, stood at 361 at the close of 1953-54 as against 359 of the preceding year. Their operations for the two years ending 30-6-54 are given below :—

	1952-53	1953-54
1. No. of Societies.	359	361
2. Membership	47882	46276
3. Paid-up share capital (in lakhs)	18.01	6.23
4. Working Capital (do)	N.A.	54.51
5. Value of goods purchased.	92.58	93.38
6. Value of goods sold.	111.98	-
7. Loans issued during the year.	N.A.	0.50
8. Profit or loss.	2.97	-

Marketing co-operatives handled various commodities including foodgrains like paddy, rice, gram, and textile goods which are the daily necessities of life. The value of finance received from the Orissa State Co-operative Bank is given below :—

Years	Amount in lakhs.
1951-52	4.64
1952-53	10.12
1953-54	16.96

A few marketing societies that undertook procurement of paddy exported the same to other States under the orders of Government. Two of the Paddy Procurement Societies of Cuttak District exported paddy and rice worth Rs. 20.39 lakhs. Many of the marketing societies act also as financing agencies to their members. A few of them undertake the grading of their members' produce also. For example, the Gur Sale Society in the area of the Banki Central Co-operative Bank is acting as financing agency for gur. The Tikkabali Marketing Society is also acting as the grading agency and helps its members in grading turmeric. The Cocoanut Marketing Society at Sikhigopal is assisting its members in grading their produce. A good many societies in the State have their own godowns for storing produce. They are built partly with the financial assistance of Government and partly with their own resources. Out of the total number of different types of marketing co-operatives in the State mentioned above, 84 were purely marketing societies and there were two Federations and one Provincial Society. The operations of primary marketing societies for a period of two years ending with 30th June 1954 are given below :—

	1952-53	1953-54
(1) No. of societies.	84	84
(2) Membership :—		
(a) Individuals.	18322	17898
(b) Societies.	—	—
(3) Paid-up Share Capital (in lakhs)	1.73	1.24
(4) Loans issued during the year. (in lakhs) ...	0.25	0.33
(5) Value of goods distributed to members (in lakhs) :—		
(a) Sold as Owners.	24.18	30.54
(b) Sold as Agents.	—	—

There were only two Federations working in the State and they devoted their attention to the marketing side of the business. One of them, viz., the Ganjam District Fisheries Co-operative Union is acting as the common centre for all the fishermen's societies in the Ganjam District. It markets the catches of its members by exporting the same to convenient marketing centres and purchases yarn required for preparing nets for the use of members. The other society viz., the All Orissa Co-operative Distributing Corporation is situated at Cuttack. It was rendering

help to the Textile Syndicates, which are Co-operative Cloth Marketing Societies—when there was a rigid control over textiles. With the lifting of controls, it has ceased to work and is at present in a moribund condition. Besides these institutions, there is a State or Apex Co-operative Marketing Society at Cuttack, which co-ordinates the activities of all the marketing societies in the State. Its operations at the end of the year 1953-54 are given below :—

Membership	115
Paid-up Share Capital	Rs. 14,090
Reserve & Other Funds	Rs. 22,296
Value of Purchases Made	Rs. 82,687
Value of goods sold	Rs. 1,15,944
Working capital	Rs. 95,872

The Provincial Marketing Society runs a retail store and sells goods deposited with it by its affiliated Industrial Co-operatives on consignment basis. It has established links with the Sales Emporiums in West Bengal and Bombay; and supplied them handloom cloth on a consignment basis. Regular supply is being made to these selling centres and sale proceeds are also being received every month. It is also selling its goods such as agricultural implements, iron utensils through the agency of Co-operative Consumers' Stores located at different places, and also through the agency of the Marketing Society at Tikkabali. The State Co-operative Marketing Society regularly receives finished products from the industrial co-operative societies like weavers' societies, bee-keepers' societies and horn-workers' societies on an Agency basis, and when the goods are sold, the sale proceeds are utilized in repaying the debts due on account of the borrowings made by them and the balance remitted to the societies after deducting its own commission. It takes part in all big exhibitions and tries to expose the goods of industrial co-operatives for sale. Further, it is also rendering help to its affiliated societies in the form of technical advice with a view to strengthen their position and stability. It earned a net profit of Rs. 24,000 on its working during the year 1952-53.

VI. Punjab

Co-operative Marketing of Agricultural Produce

During the year 1946-47, there were 14,882 societies in the Punjab with a membership of 7.51 lakhs and working capital of Rs. 11 crores. The following year saw the Partition and the disintegration of the co-operative movement there. The apex Co-operative Bank and the Punjab Co-operative Union—the two premier institutions of the Co-operative Movement—were left behind in Pakistan. The mass migration of Muslim members of societies depleted the membership of numerous societies and upset their working. On the top of it large funds exceeding 3.81 crores belonging to co-operative societies were locked in West Punjab and thus the co-operative movement in the Punjab after partition was practically strangled. In the years following the partition, the co-operative movement in the Punjab had to be reoriented. ~~Due to the enthusiasm and devotion of co-operative workers,~~ both official and non-official, the period of five years from 1950-51 to 1954-55 has witnessed remarkable progress of the movement. Over 2,600 new societies were registered during the period and the working capital rose from 12.52 crores to 19.78 crores. The amounts of share capital of the State Co-operative Bank and the District Central Banks and the Banking Unions were considerably augmented and rose to 31 and 56 lakhs respectively, from 1.5 lakhs and 17.5 lakhs respectively. In broadening up the share capital the State Government made a substantial contribution of Rs. 15 lakhs to the share capital of the State Co-operative Bank. The improvement in the financial position of the Central Financing Agencies in the State was naturally accompanied by big expansion of co-operative credit facilities. It is obvious that unless the credit side of the movement is properly strengthened, it is idle to expect any substantial improvement in the non-credit sector of the co-operative movement. That is how the co-operative credit structure received prior attention of the co-operative workers in the State. During the year 1954-55 there were in the State 15,300 societies with a membership of nearly 8 lakhs and working capital of Rs. 19.78 crores. Out of 15,147 villages in the State it is reported that about 10,700 villages are brought within the co-operative fold. With

this brief account of the post-partition progress of the co-operative movement, an account must be given as to how co-operative marketing had developed in the State. During 1951-52, co-operative marketing in the State was confined to 7 commission shops, one agricultural sale society and four non-agricultural purchase and sale societies. During the succeeding three years, co-operative marketing has made some progress, as could be seen from the different types of primary marketing co-operatives that were working during 1954-55 :—

(1)	Co-operative Commission Shops	...	13
(2)	Co-operative Cotton Development and Marketing Societies	...	14
(3)	Co-operative Sugarcane Societies	...	7
(4)	Co-operative District Wholesale Societies	... ..	13
(5)	Co-operative Cold Stores	...	6
			<hr/> 53 <hr/>

Marketing co-operatives in the State handled agricultural products like wheat, barley, gram, toria, gur, sugar sugarcane and kapas.

(1) The Co-operative Commission Shops undertake to sell agricultural produce of their members on a commission basis. They merely function as kutchas Adatyas.

(2) The Co-operative Cotton Development and Marketing Societies undertake to pool and store the produce of their members and convert kapas into lint and then market the processed produce to the consuming textile mills. Excepting this type of a marketing co-operative, no other types in the State have taken up the work of processing of agricultural produce. The cotton sale societies undertake the grading of produce also and insist on a stricter gradation, so as to qualify themselves for 'Agmark' label. The marketing co-operatives have generally no facilities for storing produce, but the co-operatives handling cotton utilize rented godowns to store ginned cotton until it is lifted by the cotton mills. It may be noted that the cotton sale societies handled only standard quality kapas like 320-F variety. They also function as financing agencies to their members and make advances on the pledge of their produce. It is reported that so far

only one society made advances to the extent of Rs. 63, 666 to its members against the security of produce.

(3) Co-operative Sugar Cane Societies in the State have been organized with a view to enabling their members to strike a better bargain with the Sugar Factory on the strength of making collective and regular supplies of sugarcane. Punjab has been a cane-producing area and it had so far only one sugar factory located in a corner. Thus the need for additional mills were keenly felt. In response to popular demand, two co-operative societies have recently been established for erection of sugar mills—one at Rohtak and another at Bhogpur. Each factory is estimated to cost about Rs. 1 crore, having a crushing capacity of 1,000 tons daily. The public response to these two co-operative ventures has been found to be very encouraging, and Rs. 30 and 20 lakhs respectively have been collected towards the share capital of the two institutions from individual cane-growers', co-operative societies and others. The State Government has also come forward to contribute Rs. 20 lakhs to the share capital of each factory. Necessary arrangements for the purchase of site and machinery and the appointment of staff were in progress.

(4) Co-operative District Wholesale Societies. Another development that has taken place during recent years is the growth of a net-work of supply and distributive co-operative agencies in the State. This net-work at present comprises of 13 District Wholesale Societies with a Provincial Federation and about 1,500 sub-agencies spread over the entire rural area of the State. These bodies have taken over the supply and distribution of essential requirements of agriculturists like seed, fertilizers, sugar, salt, cement, kerosene, and match boxes. Since 1st June 1955, the State Government has entrusted the distribution of fertilizers exclusively to these societies. It has also been decided to give them the monopoly of seed distribution. As a result, the business of wholesale societies and their affiliated organizations has been rapidly expanding, and it is estimated that during the last two years, they supplied goods valued at Rs. 1.14 crores.

(5) Co-operative Cold Stores. Another outstanding co-operative development worth mention is the organization of cold stores—a new co-operative enterprise—which has been undertaken with

a view to preserving potatoes during the hot season in order to enable the members of such stores to store their seed-potatoes. These enterprises have been confined to selected potatoe-growing areas. Out of six stores that are proposed to be established, two—one at Karnal and another at Hoshiarpur—have completed their buildings which are fitted with cold storage machinery. Each store has capacity of holding 10,000 maunds. The success of these stores in their initial stages having been assured, the managements have now decided to double their capacity. The rest of the societies were engaged in finalizing the necessary arrangements to equip themselves with suitable buildings and machinery. The provision of a chain of co-operative cold stores throughout the State would be an essential adjunct to the co-operative agricultural marketing structure of the co-operative movement in the Punjab. The Central Financing Agencies made short-term advances to all the types of marketing co-operatives in the State, but the cold stores raised their finance from the State Co-operative Bank. The rate of interest charged by the financing Banks was 6 per cent, while the State Bank charged $4\frac{1}{2}$ per cent on the long-term finance made to the cold stores, in order to enable the latter to purchase the requisite machinery and insulation material. The volume of finance made available to the marketing co-operatives by the central financing agencies is given below :—

<i>Year</i>							<i>Amount in lakhs</i>
1951-52	...	...	...	...	...	...	81.48
1952-53	...	...	...	...	...	...	18.57
1953-54	...	...	...	...	...	...	40.25

No warehouse legislation has been passed in the State nor have the marketing co-operatives received so far any financial assistance from the State in the shape of interest-free loans or subsidies for the construction of godowns. Marketing co-operatives do not handle export trade. But the Provincial Federation of District Wholesale Societies is trying to get quotas of the export trade fixed in its favour in respect of commodities like onions, potatoes, chillies, and raw cotton. It may further be noted that the marketing co-operatives have not yet built up business re-

lations with distributive co-operative agencies outside the State, but the Provincial Federation intends taking up the work in future.

Expansion of Co-operative Marketing and Processing

In the first Five-Year Plan, the total provision for co-operative development in the Punjab was only Rs. 12 lakhs subsequently raised to Rs. 34 lakhs. In the Second Five-Year Plan, the provision is of the order of Rs. 2.5 crores. This figure includes only the net cost of the schemes to the State and the Central Governments. Besides the Government, the Reserve Bank of India is expected to provide about 21.22 crores in the form of loans and advances for Government contribution to the share capital of Co-operative institutions. In addition, there are separate provisions for milk supply schemes and plans for the development of village and cottage industries on co-operative lines. It is estimated that on the whole about Rs. 25 crores would be spent on the co-operative development in the Punjab during the Second Plan period.

The sub-joined table gives statistics relating to the operations of marketing co-operatives in the State during the period of two years ending with 30th June 1954 :—

	1952-53	1953-54
1. No. of Societies.	25	48
2. Membership :—		
(a) Individuals.	14,977	22,220
(b) Societies.	nil	nil
3. Paid-up Share Capital (in lakhs).	1.58	2.34
4. Loans issued during the year (in lakhs)	18.57	24.71
5. Value of goods distributed to members (in lakhs)		
(a) Sold as Owners.	1.92	10.19
(b) Sold as Agents.	31.99	41.11
6. Net Profit or Loss (in lakhs)	—0.09	+0.38

VII. Co-operative Marketing in Madhya Pradesh (C.P. & Berar)

Apart from the Madhya Pradesh Co-operative Marketing Society, which continues to be the apex marketing institution in the State, the Regional Agricultural and Growers' Co-operative Associations at taluka headquarters and the multi-purpose societies in

the village function as marketing societies. The objects of agricultural associations are to purchase in bulk and sell to members agricultural requisites such as manure, seed, implements and other necessities of life, to obtain agricultural machines and to assist growers in the marketing of their produce and in the adoption of improved methods of agriculture. Another object of a growers' association is also to enable the agriculturists to hold their produce for a better market. But they themselves rarely engage in the marketing of the produce, their work being restricted only to keeping stocks of improved seed, manure and implements and machines for sale or hire to their members. In addition to their normal functions, they were also engaged in the past in the procurement and distribution of controlled commodities viz., cement, iron and steel etc. They raise their finance from deposits from members and non-members and also receive loans from the Madhya Pradesh Co-operative Bank and the Local Central Financing Agencies. The volume of finance thus raised could be seen from the following figures :—

<i>Year</i>	<i>Amount in lakhs</i>					
1951-52	63.52
1952-53	64.77
1953-54	47.79

They make loans against the pledge of produce deposited with them by their members up to 75 per cent of the market value and charge 5 per cent on such loans. The produce is sold when prices improve and recoveries of loans are made out of the sale proceeds, the balance being refunded to the borrowers. The sales are generally effected in favour of approved commission agents who are allowed a fixed amount of commission. The sub-joined table gives the relevant data regarding the operations of these institutions for the years 1952-53 and 1953-54.

	1952-53	1953-54
1. No of Societies.	96	82
2. Membership :		
(a) Individuals.	46,920	40,006
(b) Societies.	—	—
3. Paid-up Share capital (in lakhs).	1.43	12.43
4. Loans issued during the year (in lakhs)	100.13	42.43

					1952-53	1953-54
5.	Value of goods distributed to members					
	Sold :					
	(a)	as Owners	...	...	111.96	72.90
	(b)	as Agents.	...	...	6.71	13.58
6.	Profit or Loss.					
			...	...	+0.71	-1.22
					-3.66	
7.	Value of members' goods					
	Sold :					
	(a)	As Owners	...	...	N.A.	N.A.
	(b)	As Agents.	...	...	N.A.	N.A.

These statistics are significant in that the agricultural growers' associations have been deteriorating for lack of adequate business with the removal of control of foodgrains and other commodities, which started about the year 1951-52 and was practically completed during the year 1954. During the period of the controls, these institutions functioned as mere agents on behalf of Government for the distribution of controlled commodities such as foodgrains, agricultural implements, seed, manures, and fertilizers from the very inception. The existence of controls was a great handicap and acted as a drag on their legitimate business of arranging for the sale of agricultural produce of their members. Thus we see an all-round decline in the number of societies, number of members, amount of share capital and loans issued to members, and amount of borrowings from Central Financing agencies. The decline in business in controlled commodities was in evidence during the year 1954. The result of the loss of this sheltered business is well reflected in the amount of losses the societies have incurred on their working during the year 1954, which could hardly be recouped from the amount of commission earned in the work of distribution of certain other controlled commodities like iron and steel which still continued with them.

The Nagpur Co-operative Marketing Society, Ltd.

This apex institution was registered in the year 1948. Its objects as provided in the bye-laws are :—

(a) To arrange for the sale of agricultural and other produce of affiliated societies and of their members through their respective societies, to their best advantage.

(b) To purchase and sell agricultural and forest produce and forest requisites.

(c) To rent or own godowns or sale depots to facilitate the storing and sale of produce and to do the business of licensed warehouse-keepers.

(d) To co-ordinate the activities of various co-operative societies by getting them into touch with the market places, the places of production, and the prices prevailing in the Province or elsewhere.

(e) To purchase the requirements of and sell the produce or finished goods of affiliated co-operatives either directly or on commission account and further to act as an Information Bureau to the affiliated co-operatives on matters concerning their trade, industry or business.

(f) To advance monies on the security of produce deposited by affiliated societies or nominal members as defined in bye-law 3(9).

(g) To act as a central purchasing agency for agricultural producers' as well as consumers' societies and for other members.

(h) To do business with individual members and non-members as may be permitted by the bye-laws and under such conditions as may be decided upon from time to time by the Board of Directors with the approval of the Registrar of co-operative societies.

(i) To start branches and depots wherever necessary, in the State of Madhya Pradesh or outside with the approval of the Registrar.

(j) To take over the management of affiliated societies and associations, if so directed by the Registrar of Co-operative Societies.

(k) To take up activities such as conversion of raw materials into finished products, making use of by-products and manufacture of goods of all kinds with the sanction of the Registrar, Co-operative Societies.

(l) To make advances to affiliated societies for helping them to purchase agricultural produce and seeds, fertilizers, manures, implements and cattle-feeds and raw material for manufacture or any other goods, for developing their normal or prospective trading activities.

(m) To take up business in partnership arrangement, with the affiliated co-operative societies, subject to the terms and conditions approved by the Registrar, Co-operative Societies.

(n) To raise loans and accept deposits from members and non-members for financing the aforesaid activities with the approval of the Registrar of Co-operative Societies.

(ii) *Membership* :—Membership is open to any registered co-operative society or to any individual person who is over 18 years of age and is otherwise competent to contract, on the condition of his subscribing to and paying for at least one share and agreeing to abide by the bye-laws. Membership is also open to individual agriculturist, who is a major and who is otherwise competent to contract, but he must purchase at least one C class share, before admission, of the value of Re. 1. Such a member is called a nominal member, having neither a share in the management nor in profits of the society nor having any vote at the meetings thereof. The Registrar of Co-operative Societies or his nominee, the Director of Agriculture or his nominee, the Managing Director or President of the Madhya Pradesh Co-operative State Bank or his nominee can be ex-officio members of the society without being required to purchase shares.

(iii) *Share Capital* :—The authorized share capital of the Society consists of Rs. 1000,000, divided into 100 A class shares of Rs. 1000 each and 9000 B class shares of Rs. 100 each. In addition to these classes, there would be an unlimited number of C class shares of Re. 1 each. 'A' class shares are open to individuals. Subscription to 'B' class shares can be made by the registered Co-operative Societies. 'C' class shares are open to subscription by an individual agriculturist who wants to take advantage of the facilities offered by the Society, in respect of advances against the security of agricultural produce deposited with it.

(iv) *Constitution and Management* :—The supreme authority in all matters relating to the administration of the Society is vested in the General Body of members consisting of delegates elected by the societies and individual members. The day-to-day management of the affairs of the Society is entrusted to a Board of Directors constituted as under :—

(a) Five members elected out of themselves by the representatives of the Agricultural Associations, one from each division.

(b) Five members elected out of themselves by the representatives of the Co-operative Central Banks, one from each Institute-area.

(c) One member elected out of themselves by the representatives of wholesale co-operatives, urban stores and provincial non-credit societies, if any, other than those mentioned in (d) and (e) below.

(d) One representative of the Provincial Weavers' Co-operative Society, Nagpur.

(e) One member elected out of themselves by the individual share-holders.

(f) One member elected out of themselves by the representatives of other credit and non-credit primary societies.

(g) Five persons nominated as members of the Board by the State Government, one from each of the Revenue Divisions.

(h) One expert in business.

(i) Three ex-officio members—The Registrar, Co-operative Societies, the Director of Agriculture and the President or the Managing Director of the Madhya Pradesh State Co-operative Bank or the nominee each of the two former.

A member who carries on business similar to that of the Society or whose interests clash with those of the Society, is disqualified from being elected as a Director of the Society.

(v) *Activities of the Society* :—During and prior to the year 1952, the Society did considerable amount of wholesale business in the distribution of sugar and cloth. It continued to function

as nominee of the State Government for the wholesale distribution of sugar in the Nagpur District and the Katni Sub-Division of the Jabalpur District. It also functioned as a stockist for iron and steel at Yeotmal and Sagar. The Society was also appointed by Government as one of the importers of mill-made cloth of Bombay and Ahmedabad Mills. Again, it was also recognized as an authorized distributor for 25% of the cloth produced at the various cloth mills in the State for distribution through the Taluka or Tahsil Agricultural Associations ; Multi-purpose societies and Consumers' Co-operative Stores were also functioning as retailers. The sales of extra-provincial cloth dwindled and progressively declined owing to the frequent fluctuations in the prices of fine and superfine varieties of cloth obtained from Bombay and Ahmedabad. During the year 1913 the Society ceased to be the Government's nominee for distribution of sugar and handed over all stocks of sugar to Government. Owing to decontrol of cloth, purchase of both provincial and extra-provincial mill cloth was also stopped completely during the year.

In order to make up for the loss of business in these two commodities, a warehouse licence was taken out with a view to establishing a warehouse at Itarsi, where the Society started its own Depot for doing business in steel and iron, and for undertaking purchases and sales of foodgrains. A Depot was also started at Amaravati for purchasing tur and tur-dal from the Berar markets. Purchases of rice were also made on a small scale by the Head Office. The Society also was able to obtain the work of distribution of sulphate of ammonia on consignment basis from the State Government. The sales effected during the year amounted to 7,115 tons valued at Rs. 28.32 lakhs the commission earned being Rs. 84,638. This Business was also continued during the next year under the revised agreement with the Government under which a total margin of Rs. 30/- per ton was allowed for handling charges, incidental expenses, commission payable etc. In addition, the State Government also agreed to give the Society a subsidy of Rs. 5/- per every ton of ammonium sulphate distributed by it. A noteworthy feature of the working of the Society during the year 1953-54 was that it was appointed by Government as the sole agent for the pooling of improved

varieties of cotton and the Society pooled accordingly 22,000 candies of improved cotton from 80,000 cultivators at 36 selected market places and arranged for its sale in bulk on a commission basis by open auction. The Taluka Agricultural and Growers' Associations worked as Agents of the Society which provided finance to the Agents for making advances to the cultivators who brought their cotton to the pools. An advance ranging from 60 to 75% of the market value of cotton was made outright to the cultivators and the State Government stood as guarantors for the loan of Rs. 20 lakhs obtained for the purpose by the State Co-operative Bank from the Reserve Bank of India. The total amount of loans issued to the Regional Agricultural Associations for cotton pool work amounted to nearly 16 lakhs. This Apex institution has built up business relations with the Reserve Bank of India through the State Co-operative Bank and it was, therefore, in a position to obtain a credit limit of Rs. 15 lakhs at the concessional rate of interest, viz., $1\frac{1}{2}$ per cent for financing the marketing of improved varieties of cotton. It was also trying to get an additional credit limit of Rs. 10 lakhs from the same source for financing the marketing of agricultural produce other than cotton. The finance thus obtained by the Society through the Madhya Pradesh State Co-operative Bank was guaranteed by the State Government. The Taluka Agricultural Associations were financed by the Central Financing Agencies through the Apex or State Marketing Co-operative. And the volume of finance made available was as under:—

<i>Year.</i>	<i>Amount in lakhs.</i>					
1951-52	68.52					
1952-53	64.77					
1953-54	47.79					

At present the activities of the Society are confined to the following types of business :—

1. Procurement and distribution of fertilizers as agent of the State Government.
2. Purchase and supply of foodgrains to railways against contracts given by them.
3. Purchase and export of pulses, chillies and oil-seeds outside the State.

4. Marketing of rice, wheat and pulses with the help of affiliated co-operative associations.

5. Running two depots one at Itarsi and another at Piparia and doing business jointly with other Associations in respect of iron and steel.

6. Purchase and sale of Kirloskar Engines and pumps.

7. Marketing of improved varieties of cotton with the assistance of the Agricultural Associations.

The services of an Assistant Registrar, Co-operative Societies, were placed for some time past at the disposal of the Society and he worked as its Secretary.

(vi) The sub-joined table gives statistics relating to the operations of the Society for a period of three years ending with 30th June 1954 :—

The Madhya Pradesh Co-operative Marketing Society, Ltd.

	1951-52	1952-53	1953-54
1. No of Members :			
(a) Individuals	5	5	6
(b) Societies.	380	388	317
2. Paid-up Share Capital (in lakhs) Rs.	4.17	4.26	4.60
2(a) Government Contribution out of 2			
(above. (in lakhs)	2.05	2.05	2.05
3. Borrowings from Government (in lakhs)	20.0	10.0	3.04 M.P. Apex Bank.
4. Reserve and other Funds (in lakhs) "	1.63	5.43	4.92
5. Commission or Profit earned in fertilizer business (in lakhs)	-	0.84	0.42
6. Value of Purchases (in lakhs) ... "	125.44	24.43	11.49
7. Value of Sales (in lakhs). ... "	134.25	27.44	9.25
8. Net Profit. (in lakhs) ... "	2.6	1.29	0.25

Note:—These statistics are compiled from the original reports on the working of the society.

VIII. Bombay

Co-operative Marketing of Agricultural Produce

General Progress

Co-operative marketing of agricultural produce has registered great progress in the Bombay State since the year 1940. The

following table gives comparative statistics regarding the progress made by the marketing co-operatives in the State.

Particulars	1939-40	1953-54
No. of Societies	94	331
No. of Members :		
(a) Individuals	19,415	1,44,734
(b) Societies	1,264	5,647
Value of goods marketed (in lakhs)	79.91	1360.52
Working Capital (in lakhs)	20.64	430.43
Profit (in lakhs)	0.55	6.58

The main commodities handled by marketing co-operatives in the State are cotton, groundnut, gur, cereals, fruits and vegetables, condiments and spices, dry chillies, paddy, arecanut etc. There are separate societies for the marketing of cotton, fruit and vegetables, arecanut, chillies and condiments and spices. Some of the purchase and sale unions in the cotton growing areas handled other agricultural products as well. There are no separate societies formed for marketing gur, but a few of the general type of the purchase and sale unions deal in gur, e.g., the Godawari and Prawara Canals Purchase and Sale Union at Kopergaon, the Nira Canals Purchase and Sale Society, Baramati, the Lasalgaon, Malegaon and Satana Purchase and Sale Society and the Kolhapur Shetki Sahakari Sangh, Ltd., marketed gur on a large-scale. The marketing co-operatives in the State do not undertake grading and pooling activities but the cotton sale societies in Gujarat do undertake these activities, while their counterparts in Karnatak only grade the cotton but do not pool it.

The sub-joined table gives the statistics relating to the operations of the Marketing Co-operatives in the State for a period of 3 years ending 30th June 1955.

	1952-53	1953-54	1954-55
(1) No. of Societies	332	331	358
(2) No. of Members :			
(a) Individuals	1,38,274	1,44,734	1,53,552
(b) Societies	6,219	5,647	13806
(3) Paid-up share capital (in lakhs)	61.48	62.01	67.90
(4) Reserve & Other Funds (in lakhs)	103.11	118.51	139.47
(5) Working Capital (in lakhs)	388.81	430.43	511.32
(6) Value of goods sold (in lakhs)	1526.21	1360.52	1379.55
(7) Profit (in lakhs)	9.91	6.58	6.75

These statistics indicate that the 358 marketing co-operatives in the State are serving 277 markets of which 171 are major assembling markets and the rest are minor ones. Marketing co-operatives in the State consist of Taluka Purchase & Sale Unions, Cotton Sale Societies, Fruit & Vegetable Sale Societies, etc. The marketable surplus of agricultural produce raised in the State is estimated at about Rs. 175 crores a year. During the year 1954-55 production credit to the extent of 8.93 crores is estimated to have been dispensed through the village credit and multipurpose societies. The turnover of marketing co-operatives as the above statistics indicate, stood at 13.79 crores of rupees which included sale of iron, cement, seed, fertilisers, and other agricultural requirements. The value of agricultural produce of members marketed through the co-operatives may be roughly estimated at about 10 crores of rupees. The marketing co-operatives thus handled a little over 5 per cent of the marketable surplus in the State. Though the Bombay State has made satisfactory headway in the establishment of marketing co-operatives of different types its main contribution to the co-operative marketing movement in India lies in the development of co-operative marketing of cotton. Bombay is one of the important States for the production of cotton, the acreage under cotton being 25 per cent of the total area under this crop in the whole of India. The number of cotton sale societies which stood at 36 at the end of 1939-40 rose to 86 at the close of 1954-55. Co-operative marketing of cotton originated in different parts of the States in different ways. The diversity of climatic conditions in different regions of the State enable the State to grow many varieties of cotton. They differ greatly in quality, staple and ginning percentage and all these differences are naturally reflected in differences in price. There are three well-marked divisions in the State viz. Gujarat, Karnatak and Maharashtra which grow different varieties of cotton and where co-operative marketing of cotton has taken firm root but it may be noted that the turnover of business handled by marketing co-operatives differ from division to division. This percentage comes on an average to about 25 of the total quantity arriving in the markets in the districts of Broach, Surat and Ahmedabad. In the Dharwar district in Karnatak it comes to about 25 to 30. The next important commodity handled by the

marketing co-operatives in the State is Gur. The marketing co-operatives handle about 20 per cent of the marketable surplus. The next commodity handled by marketing co-operatives is fruit and vegetables. Fruit Sale Societies in the Surat district and the Potato Growers' Association in the Ahmedabad district handle a very large percentage of fruits and vegetables arriving in the market. The percentage goes up to 80. The Fruit Sale Societies in East Khandesh district handle about 25 per cent of bananas grown in the district.

The progress and financial condition of cotton sale societies for the State as a whole are given in the sub-joined table for a period of two years ending with 1949-50 and 1953-54 :—

Items.	1949-50	1953-54
(1) No. of Societies	84	86
(2) Membership :		
(a) Individuals	24,904	30,667
(b) Societies	384	280
(3) Paid-up Share Capital (in lakhs)	7.63	11.11
(4) Reserve and other Funds (in lakhs)	8.61	16.94
(5) Working Capital (in lakhs)	45.79	78.80
(6) Value of cotton sold (in lakhs)	268.62	427.95
(7) Net Profit or Losses (in lakhs)	+2.13	+2.33

In addition to these marketing societies proper, there were 13 ginning and pressing societies having 92 societies and 8,892 individuals as members. Their total working capital stood at Rs. 55.31 lakhs and they made profits to the extent of Rs. 5,31,000. A few societies incurred losses to the extent of Rs. 10,778/-.

Co-operative Marketing of Cotton in Karnatak

(a) *Local Markets and the Marketing System in Karnatak :—* Karnatak including the merged States devotes a very large area to growing cotton, which is the chief commercial crop. Local markets for the sale of cotton are a few in number as compared with the area and extent. They are also situated in large distances from the main villages. Cotton picking commences from February and lasts up to May or even later. The produce is carted as seed cotton or kapas. There are three usual methods followed by the cultivator in the disposal of his produce : (a) disposal of standing crop in the field, (b) disposal of kapas in the village and (c) disposal of kapas in the market. About 15 per cent of the

total produce is disposed of by the first two methods, and the bulk of the produce is sent to the local market. According to the practice in vogue, the cultivator sends his produce to the shop of the dalal, who finances him throughout the season. The dalal is both the agent and the financier of the cultivator. The produce of each cultivator arrives in the market in two or three consignments at different periods of the season from February to June packed in docras. The docras are weighed, marked and the weights are noted in the name of the owner-cultivator. Weighing is not done necessarily in the presence of the owner nor does the disposal of cotton take place when the cultivator owner is present. The owner returns home with a chit given by the dalal in which details are mentioned. Unless specifically instructed not to do so, the produce of one cultivator is mixed with that of the other cultivator and whole lots are disposed of either daily or once in three days. In a few markets grading is also sometimes done under the auspices of a Merchants' Association with a view to competing with co-operative sale societies. The buyers of cotton are generally mill-owners and export traders who handle big lots. They quote their rates generally on the basis of the Bombay and Foreign Market quotations. Even when transactions are thus settled, the prices offered locally do not tally with those ruling in the Bombay Market for that day and vary according to local demand. The godowns of the dalals are visited by the buyers and the bid is offered by each separately for the whole or separate lots. It is then sold to the highest bidder, without taking into consideration either the exact quality or the ginning percentage, unless the cotton is specifically earmarked as having been produced in special villages and unless it is in big lots. The next step is weighment and it is done by the dalal. After weighment is completed, a regular patti is made in which the following items are shown :—

- (1) No. of Docras.
- (2) Weight of Docras. (1 docras=336 lbs.).
- (3) Price at which kapas is sold.
- (4) Dalali.
- (5) Hamali.
- (6) Dharmaday.
- (7) Other deductions as sample etc.

After deducting all these charges the balance is handed over to the owner. The system described above, viewed from the point of the producer-seller, has obviously many disadvantages, which are briefly mentioned below :—

(1) The cultivator has to depend on the honesty of the dalal and his servants for accuracy of weighment, sttlement of price and payment of sale proceeds in full. The system allows ample scope for malpractices.

(2) The dalali or commission and other charges for selling one nag of seed cotton (nag=1344 lbs.) are as under :—

Re. 1 from the buyer.

Re. 1 from the seller.

As. 6 hamali from the cultivator.

As. $1\frac{1}{2}$ charity from the cultivator.

Sometimes an additional charge is made on account of panjara-pole or some social or religious institution. The price of cotton is settled with reference to clean or ginned cotton in Bombay, and it is really on the cultivator the charge of Rs. 2-7-6 falls. Again, in addition to this, a deduction of 14 lbs. per docra is made for the tare weight of the sacking, though the latter weighs only about 6 to 9 lbs., and if there is an occasional shower, sometime during the season, this deduction may go up to 30 lbs. A further deduction of 2 lbs. per each docra is made for sample purposes, and a small levy is also made for effecting insurance. The net result is that the cultivator has on the whole to pay Rs. 6-8-0 as ordinary market charges for each nag of cotton. Cultivators are found to be putting up with this system of sale because (i) most of them are ignorant of business methods and are also incapable of checking weighments. It is only a very few cultivators that are capable of calculating prices.

(ii) The individual cultivator brings in small quantities of cotton to the market, while the buyers require big lots. Thus the dalal necessarily becomes a connecting link between the two.

(iii) The dalal advances money to cultivators during the season against their growing crop, making it a condition that it should be marketed through him only.

(iv) Again, the dalal also gives gunnies or bardans to the cultivators on the same terms and conditions.

When the Agricultural Department introduced new varieties of cotton like Broach and Cambodia cottons, the mal-practices in the trade came to the surface and the Department organized auctions of cotton from 1910 to 1917 with a view to obtaining better prices for the cultivator for his cotton of better quality and with higher ginning percentage. These auctions continued until the introduction of the co-operative sale movement. In consultation with the trade, proper grades also were established. When the work was thus being transferred to co-operative societies in the area, the Agricultural Department evolved new strains of cotton of superior quality which are now marketed through the co-operative sale organizations.

Beginnings of Co-operative Sale Movement in Karnatak

The co-operative sale movement in Karnatak thus traces its origin to the auction sales conducted by the Agricultural Department from 1910 to 1917. The auction sales had demonstrated that great benefits accrued both to the cultivators and buyers, though all the evils associated with the disposal of produce through private trade channels could not be eliminated. The then Director of Agriculture transferred the work of the auction sales to the two prominent Sale Societies at Hubli and Gadag, which even now occupy a foremost place among the co-operative cotton sale societies in Karnatak. The Hubli Co-operative Cotton Sale Society had had a chequered career and suffered a setback for some time, as its affairs were mismanaged, while the Gadag Co-operative Cotton Sale Society, despite the critical times through which it had to pass in its career, has emerged as a successful institution. The following is a brief account of its working.

The Gadag Co-operative Cotton Sale Society

The Gadag Co-operative Cotton Sale Society : The society was registered in the year 1917 with the following objects : (i) to sell cultivators' cotton at the highest possible price and at the lowest cost ; (ii) to encourage members to grow pure and

high class cotton and to market it in the best possible manner ;
(iii) to obtain and supply to its members pure seed and gunnies ;
and (iv) to advance loans against the produce stocked with it
and for the cultivation of the crop.

(i) Area of operation and membership : The area of operation of the society is limited to Gadag and Shirhatti talukas. Agriculturists residing within the areas of Gadag and Shirhatti talukas are eligible for membership. In the earlier days of the society its bye-laws permitted non-agriculturists to become members but their number was restricted to one-fourth of the total number of members. The restriction of membership permitting only agriculturists to become members came into force during the year 1925 when the Dalals and Cotton buyers declared a boycott against the society and absented themselves from auction sales held by it. Through the good offices of a prominent Dalal like Diwan Bahadur Manvi and Rao Saheb Chawdi, Chairman of the Society and the efforts of Rao Bahadur Fakirapa Laxmishwar and through the intervention of the officers of the Co-operative Department, Mr. Madan, the then Registrar and Mr. Huli, the then Asst. Registrar, the differences were made up. Tata & Sons stood by the society and made purchases of all the cotton available at auction sales. It was discovered during the crisis that members and directors of the society who were not agriculturists took active part in the agitation against the society. This led to the amendment of the bye-law of the society restricting its membership only to agriculturists.

(ii) Share and entrance fee : The nominal value of a share has been fixed at Re. 1 and every member is required to subscribe to at least 5 shares. In addition he has to pay an entrance fee of Re. 1 before admission to membership.

(iii) Management : The management of the affairs of the society is entrusted to a Board of 15 Directors. The affiliated societies have 11 seats reserved for them on the Board. The remaining 4 directors are elected from amongst other individual shareholders. The Chairman of the Board of Directors is a local merchant who was a shareholder prior to the year 1925. The Board of Directors usually meets once a month and during the busy season once a fortnight. A sub-committee of 5 members is

elected from amongst themselves to attend to the day-to-day business of the society.

(iv) Progress of the Society : The financial progress and the volume of business handled by the society for a period of five years ending with 1954-55 is given in the sub-joined statement.

Year	No. of mem- bers	Paid-up Share capital	Reserve and other Funds	Total number of arrivals of docras in the market, including the Socie- ties(kapas)	No. of Docras received by the soci- ety(Kapas)	Percentage to total arri- vals
1	2	3	4	5	6	7
(in thousands.)						
1950-51	2,934	45.0	244.4	90,547	41,514	45.8
1951-52	3,095	44.9	263.3	112,281	48,748	43.1
1952-53	3,220	45.8	292.1	57,968	26,518	45.0
1953-54	3,439	52.6	320.4	82,417	33,899	41.0
1954-55	3,339	56.1	316.4	57,638	34,296	59.5
	100 Socys }					
Lint (Docras) Lint (Docras)						
1950-51	—	—	—	34,677	36	0.05
1951-52	—	—	—	65,606	915	0.8
1952-53	—	—	—	62,000	661	0.8
1953-54	—	—	—	78,810	1,046	0.8
1954-55	—	—	—	33,007	652	1.8

It will be observed from the above table that the society has been making steady progress. The number of members and the amount of owned capital have recorded a satisfactory rise. The quantity of kapas handled by the society has been showing fluctuations which is ascribed to the increase or decrease in the crop during a particular year. As will be seen from the figures given above, the total quantity of kapas handled by the society during the last five years varied from 41% of total arrivals in the market to 59%. The society has thus been a factor to reckon with in the market, as it handled nearly 60% of the kapas marketed during the year 1954-55. The Society also handles lint and deals in safflower and groundnut as well, but the total volume of business handled was insignificant.

(v) Cotton Seed Multiplication and Distribution Scheme : With a view to encouraging the growth and distribution of improved varieties of cotton the Agricultural Department appointed as far back as 1920 a Cotton Overseer in the areas served by the society. The original variety of cotton, viz. Dharwar No. 1 was found to be susceptible to wilt. Two varieties of cotton which were wilt-resistant known as Jaywant and Upland were soon evolved by the Agricultural Department. The multiplication of these varieties was entrusted to the Hubli and Gadag Cotton Sale Societies. The first and second generations of a strain are grown under the direct supervision of the cotton grader at the Government Farm, Dharwar. The seed from the second generation is given to the societies for multiplication by cultivators in a compact area known as 'reserved area'. This reserved area consists of 20,000 acres round about 10 villages. No other strain is allowed to be grown in the reserved area. Growers in other areas are given improved seed after the third generation from the depots maintained by the society in its area of operation. The expenditure on the staff maintained for the distribution of seed is partly met by Government and partly financed from the funds made available by the Indian Central Cotton Committee. The Gadag Cotton Sale Society normally purchases cotton seed at the time of sale of kapas from buyers at the usual market rate. If there is any loss on account of price differences the deficit is allowed to be recouped from the subsidy of As. 4 per bag of 100 lbs. of seed granted by the Indian Central Cotton Committee.

(vi) Method of doing business : Members of village credit societies get finance normally from their own societies for raising crops or other current expenses. They have to become members of the sale society if they require any produce pledge loans or to secure other advantages of membership of the sale society. Formerly advances used to be made to persons who were not members of village credit societies but as these advances remained in arrears for a considerable length of time the practice had been given up for some time. Ordinarily small loans for seed or barden are permitted to a person residing in a village within a radius of 6 miles of the headquarters of a cotton sale society or its branch but loans for raising crops to members of village credit societies are not permitted. The society at present appears

to have renewed its old practice of financing members of village credit societies and non-members as well resulting in duplication of finance and if the previous experience of this very society is any guide the practice would require to be stopped.

The cotton season in this region starts by the end of February or early in March and continues till practically the end of June each year. Members and non-members bring their cotton to the society in gunnies known as docras. A docra weighs 336 lbs. of kapas. A Nag is equivalent to 48 maunds of 28 lbs. each or 1.344 lbs. On receipt of cotton it is weighed and a receipt showing the numbers of docras, weight and variety is issued the seller. Docras after weighment are allowed to remain in the compound of the society and distinctive marks are then put on each docra with a view to identifying the owner. If the producer-seller requires finance a loan is made against the deposit of docras up to 70% of their estimated value and the society charges Rs. 9/6/- per cent interest on such advances—which is rather high. The society borrows funds from the Karnatak Central Co-operative Bank at the rate of 6½% as the latter has not made any arrangements to avail itself of the marketing finance at a cheaper rate of interest from the Reserve Bank of India. As a considerable amount of money is required for making produce pledge loans, it behoves the bank to revise its present policy and make cheaper finance available to the producer against the pledge of produce.

(vii) Auction Sales : Cotton is sold by auction during the busy season at least once a fortnight and the date of auction sale is fixed before hand and notices are issued to buyers and sellers. Notices to selected buyers are sent normally four days before the date of auction sale. A copy of the notice is also supplied to each buyer at the time of auction sale mentioning the terms and conditions on which purchases can be made (vide appendix A). In order that the cotton be sold at the next auction members are required to send their cotton at least three days prior to the date of holding an auction sale.

(viii) Grading of Cotton : Before being sold by auction, cotton is graded according to the ginning percentage by an officer of Department of Agriculture, Bombay State working under the

Cotton Superintendent (S.M.C.). Docras are also classified according to the generation of the cotton and then graded. Cotton weighing 50 tolas is taken as a sample from each docra and is ginned with a view to ascertaining the percentage of lint to seed cotton. The two latest varieties evolved by the Department of Agriculture and which are popular in this region are Laxmi and Jaydhar and they are graded according to ginning analysis as under :—

S. No.	Class	Average percentage of lint to Kapas	Average quantity of lint per Nag of Kapas	
			Mds.	Lbs.
	Laxmi 6th Generation (General area)			
1	I	37.0	17	21
2	II	36.5	17	14
3	IIB	36.0	17	7
4	III	35.5	17	1
5	IIIB	35.0	16	22
	Laxmi 5th Generation (Reserved Area)			
6	II A	36.5	17	14
7	II B	36.0	17	7
8	III	35.5	17	1
9	III B	35.0	16	22
	(Laxmi 4th Generation (Reserved Area)			
10	II A	36.5	17	14
11	II B	36.0	17	7
12	III	35.5	17	1
13	III B	35.0	16	22
	Jaydhar			
14	III	30.0	14	11
15	RT III	30.0	14	11
16	III B	29.2	14	—
	Rajapalayam			
17	II B	36.5	17	14

Buyers from Bombay, Hubli, Sholapur, etc. attend auction sales and samples of each grade of kapas are kept in baskets in the auction hall of the society at the time of the auction sale. It is the practice for one of the buyers to preside at auction sales. A bidding book is maintained to record the different bids offered by buyers. The names of the highest bidders of each lot are recorded in the book. Both the buyer and the President also sign in the bidding book in token of correctness of entries made therein. The unit of transaction is one Nag of 1,344 lbs.—which is equivalent to 4 docras. Auction sales are held usually in the evenings and are finished within an hour. According to local

practice buyers are required to take delivery of the goods within three days of auction. Payment has to be made after a week of the date of auction sale but in actual practice considerable time elapses before the purchase money is received by the society. The society, however, in the meantime pays the amount to the seller after a week of the date of auction. No interest is charged to buyers for amounts outstanding against them. The society prepares a Patti in triplicate. One is kept as an office copy, and the other two are handed over to the seller. One of the Pattis is presented by a seller to the cashier who retains one copy with him and the other is returned along with the money paid to the seller. The Patti usually shows details about quantity sold, rate, price realized, and deductions made on account of various charges.

(ix) Market Charges : The following deductions are made as market charges from the amounts due to customers whether they be members or non-members.

						Rs.	a.	p.
(1)	Dalali or commission per each Nag (i. e. 4 dceras)	...				1	8	0
(2)	Hamali per each Docra	...	...	...	...	0	2	0
(3)	Stacking charges	...	...	...	...	0	0	6
(4)	Grading charges per each Docra	...	...	...	...	0	4	0
(5)	Weighing charges	...	...	...	...	0	0	6
(6)	Miscellaneous cess	...	...	...	...	0	0	6
(7)	Insurance charges :—							
	(a) If the interval between the date of arrival of docra and the date of auction sale is less than 15 days					0	3	0
	(b) -do-more than 15 days for one docra for each month					0	4	0
Total ...						2	7	6

(x) Other activities of the Society : In order to popularize improved strains of cotton, viz. Jaywant and Upland, the society distributed cotton seeds of these two varieties. During the year 1946-47, it stocked 13,000 bags of pure seed. In order to make it convenient for its customers to make purchases, seed depots have been opened by the society at 24 centres in the Gadag Taluka. After the introduction of the Laxmi Cotton seed in 1950-51, the society was able to supply Laxmi cotton seed to the whole of Karnatak within a period of three years, as shown below :—

The following figures indicate the quantities of cotton seed stocked and distributed together with their values :—

Year					No. of Bags	Value
1952—53	...	...	...	...	18,944	Rs. 2,77,486
1953—54	...	...	...	...	15,389	Rs. 2,19,699
1954—55	...	...	...	...	18,032	Rs. 1,04,485

(xi) Finance : The society is financed by the Gadag Branch of the Karnatak Central Co-operative Bank Ltd., and the rate of interest charged is $6\frac{1}{4}$ per cent. The Karnatak Central Co-operative Bank, however, has not availed itself on a large scale of the cheap marketing finance which the Reserve Bank of India makes on certain conditions.

(xii) Advantages of the society : The society offers to buyers and to its customers who market their goods through it the following advantages :—

To sellers : (1) weighment is made in the presence of the seller and a receipt is given as soon as cotton is brought to the society's office. (2) The system of grading and sale by auction ensures better prices to growers for their cotton of improved quality. (3) The society charges low rates of interest on produce pledge loans. (4) Pure seeds and gunny bags are also supplied to members. (5) Prompt payment of sale proceeds' is made by the society.

Similarly buyers get cotton of superior quality properly graded and having correct weighment.

(xiii) Staff : The day-to-day management of the affairs of the society was carried on up till now by Mr. Shetti who was replaced by an officer of the Co-operative Department, whose services have been lent to the society during the year 1956.

(xiv) Conclusion : So far, the society has been functioning as a Cutcha Adatya selling Kapas to local Dalals most of whom are the agents of big firms of cotton mills. Sometimes lint is also sold ; but the experience of the society has been that the price offered for lint is not consistent with the price offered for Kapas and its ginning analysis. In other words prices offered for Kapas are higher and are not on parity with the prices ruling in the central or terminal market viz. Bombay. As pointed out else-

where, buyers indulge in mixing up different varieties of cotton which can only be done prior to ginning and not afterwards. Hence they offer better prices for kapas and do not go in for lint. If the society is, however, enabled to have direct contact with the mills and do away with the intermediary merchants buying on their behalf it is possible to undertake the functions of ginning, pressing, and pooling of members' produce. Even then it is problematical as to what extent the society will succeed because most of the cotton mills are being managed by managing agents who prefer to purchase cotton from their own representative agents rather than from such societies direct. Departmental efforts made in the past during the critical days of boycott to establish direct contact with the cotton mills in Bombay proved abortive because of lack of proper appreciation of quality cotton on the part of the mill agents. A co-operative ginning society has also been established in the neighbourhood of this society but unfortunately it has not proved much of a success as it is an isolated experiment. It has not yet been able to wipe out the previous losses on its working. Another reason for its failure is that bigger buyers of cotton from the society are all local merchants who take the cotton to their own ginning factories and hence the society does not get the requisite custom so as to run at a profit.

APPENDIX A

The Gadag Co-operative Cotton Sale Society Ltd., Gadag

Terms of auction sales for the guidance of purchasers. The following are the terms of auction sale for the information of purchasers:—

1. The net weight of dokras after deducting the weight of bardan and katankati is recorded in the register.
2. For each dry dokra 11 lbs. are deducted for bardan, shrinkage, etc. The market Committee will take all possible care in weighing the dokras, but if the purchasers want to reweigh some or all dokras they may do so, but they will have to pay weighing charges and the weight allowed for bardan, will then be 9 lbs. only for kapas subject to Market Committees' bye-laws.
3. Sample of 50 tolas of kapas from each dokra is taken from all the dokras, up to a limit of ten and the percentage of lint is found out by ginning the seed cotton. When a person's dokras exceed ten, sample for every ten dokras is taken out separately and then the percentage of the lint is found out.
4. Dokras are arranged in classes of different grades according to the high or low percentage of lint; due consideration for cleanliness and mixture is given while classifying.
5. Information regarding, the number of dokras, weight, ginning percentage etc. of each class will be supplied to the bidders at the time of auction.
6. The purchaser is required to pay to the Sale Society a commission of one and half pies per Rupee on the value of kapas according to the Market Committees' bye-laws.
7. Merchants approved by the Managing Committee only are allowed to bid in the auction.
8. Purchasers will have to pay the value of kapas they purchase as per resolutions of the Managing Committee passed from time to time. These may be ascertained personally.

9. Every purchaser must remove the dokras of kapas he purchases before the next auction sale.

10. If the purchaser fails to remove the kapas purchased within the prescribed time the Managing Committee will report the matter to the Agricultural Produce Market Committee, Gadag for taking necessary steps.

11. The purchaser shall have to bear the expenses of removing the dokras.

12. The Society may or may not accept any bidding in the auction.

13. Perfect grading of kapas of Reserved Area is done under the careful supervision of the officers of the Agricultural Department and of General Area kapas by the Officers of the Market Committee. And no complaint of any kind with regard to ginning percentage or weight will be heard after the removal of dokras from the society's premises.

14. Purchasers are at liberty to examine in any way they like, the kapas grade, but no complaint of any kind, such as mixture, grading, soiled kapas etc. will be heard after the auction is over. However, if any dispute arises about quality etc., the same will be referred to the Dispute Sub-Committee of the Agricultural Produce Market Committee, Gadag and its decision is final.

15. The Society has the option of purchasing the cotton seed of any generation and class at the rate to be announced before the commencement of auction sale. The ginning of kapas of the lots, the seed of which is purchased by the Society, should be done under the supervision of the Agricultural Department.

16. The Managing Committee may postpone the auction sale if it feels that the holding of auction sale on that day is not in the interest of the cultivators.

17. These conditions are subject to the bye-laws of the Society.

Co-operative Marketing of Cotton in Gujarat

Local Markets and the Marketing System in Gujarat :—Equally important like Karnatak, the crop in Gujarat has great commer-

cial value to cultivators from the monetary point of view, and the variety grown goes under the trade name 'Broach' in Bombay, and it differs in quality greatly from district to district and the difference is naturally reflected in price as well. There are 14 markets in Southern Gujarat and several other smaller centres where gins and presses are located. The total number of centres—small as well as big—is more than 50. Cotton-picking in Gujarat Commences from January and marketing goes on from January to May. The usual practice adopted for the disposal of crop by the cultivators is to sell it in their own villages. The dalals on behalf of different Ginning and Pressing Factories and merchants run down to villages for purchasing seed cotton. The sample is seen and the bargain is settled. The cultivators do not grade their produce except when it is attacked with boll-worm, but they are always in touch with the trends of the market, and do not settle the bargain off-hand. The weighments are made after transactions are done at the gin factories on weigh-bridge or platform weighing machine. But it may be noted that every cultivator weighs his seed cotton before sending it to the ginning factory. The carting arrangement after bargaining at the villages is done by cultivators in the Surat District and by the purchasers in Broach. No payments are made when the bargain is struck, but when the cotton is weighed, the money is paid after deductions for dharmaday, Pinjrapole etc. Rates are settled per *bhar* which varies in weight from 924 lbs. to 1024 lbs. in different parts of Surat and Broach Districts. The following deductions are made and recovered from purchaser or seller :—

- (1) Brokerage from As. 12 to Re. 1 per bale.
- (2) Dharmaday, from 1 anna to 2 annas per bale.

In addition to this practice, forward sales are found to be common among cultivators and in such sales, the cultivators take from the buyers Rs. 25 to Rs. 50 per *bhar* as advance to make the contract valid. The system of marketing as practised in Gujarat has been found to be more advanced in comparison with other tracts, though here also it is not entirely free from defects. As in other parts of the State, the work of improving the type of cotton had also been undertaken by the Agricultural Department, and strains of cotton with longer staple and superior ginning percentage were also evolved. In this tract also the

scheme of marketing introduced by the Agricultural Department benefitted the cultivator who made a profit of $7\frac{1}{2}\%$ of the transactions which consisted of $\frac{3}{5}$ ths on account of the premium on the lint and $\frac{2}{5}$ ths on account of higher ginning percentage. After some time it was thought advisable to work the whole scheme on co-operative lines, as the scheme introduced had demonstrated the advantages of pooling of cotton of the new strains with resultant benefit to cultivators.

Beginnings of the Co-operative Sale Movement in Gujerat

Co-operative marketing of cotton in Gujerat has made much head way as in Karnatak though there is difference in the method adopted. The first society was founded at Sonsek village where 13 agriculturists formed an Association in the year 1919 to sell their cotton jointly and are said to have realized Rs. 50 more per Bhar—a Bhar varies from 924 lbs. to 1,024 lbs. in weight—than those who sold individually their seed-cotton to ginning factories. In the year 1921 membership of this unregistered association rose to 127 and the value of cotton sold exceeded Rs. 1,00,000. The aggregate price of produce realized by the members was higher than that secured by others and was estimated to be Rs. 18,000. The society was later registered under the Co-operative Societies Act. The success of this society served as a stimulus for the formation of similar societies at other centres. Agriculturists of three or four villages growing the same variety of cotton began to form co-operative sale societies for the sale of their cotton. Thus 8 more societies were soon started in Olpad and Chorasi talukas of the Surat district. The parent society at Sonsek had 32 villages included in its area of operation formerly. In 13 of these villages growers of cotton were permitted to form a separate group society on the plea that the cotton grown by them had a better ginning analysis than the improved strain introduced by the Agricultural Department. This new group society known as the Talod Group was established by Shri Purushottam Patel who was himself the founder of Sonsek society. Uptill the year 1934 the Talod Group was a prominent sale society in the Surat district. It had a membership of 533 and a share capital of Rs. 20,000 and a reserve fund of Rs. 13,770 as at the close of

the co-operative year 1933. During the year 1933 it received 52,000 maunds of kapas and ginned it in its ginning factory and sold lint of 10,000 maunds realising Rs. 2.35 lakhs. A co-operative sale society in Gujarat is a smaller institution than a sale society in Karnatak. Its area of operation is limited to a few villages round about a central village in which the headquarters of the society are situated. Membership is confined to individuals only. Under the bye-laws every member is required to sell his cotton through the society and in case of failure the society can claim damages or fine from him up to Rs. 50 or forfeit his share money also, though occasions for such punishment are found to be rare. Loans for seed and other current expenses of cultivation are made up to Rs. 7 per acre of cotton and the rate of interest charged is $6\frac{1}{4}$ per cent. Before the cotton season starts, an estimate of the condition of the crop is made taking the area under cotton into consideration. When the season starts members bring their cotton to the co-operative or other proprietary gins with which the society has made arrangements for ginning the cotton and for a place for storing it. On the arrival of cotton at the ginning factory it is weighed by the society's men and a receipt is given therefor to the seller a copy of which is also retained on record. In case of need sellers can borrow up to 75 per cent of the value of cotton pledged with the society and the interest charged on such advances is $6\frac{1}{4}$ per cent. The central financing agency at Surat supplies funds to the society at 5 per cent against stocks.

A special feature of the working of these societies is that not only is cotton ginned but cotton of different members belonging to the same class is pooled and sold in lots and members agree to accept the average pool price. The sale societies pay for the ginning of the cotton of their members. When cotton is ginned and pressed the Union is requested to arrange for its sale. The union is usually in touch with the local merchants and buyers in cotton markets in Bombay and Ahmedabad. Brokerage is paid by the buyers or their agents. The sale society receives from its members actual ginning charges plus a commission of Re. 1 per Rs. 100 worth of cotton sold. They pay a commission of As. 4 to As. 6 per bale of 400 lbs. sold to the union and Rs. 2 to Rs. 2-2-0 per khandi of 800 lbs. to their commission

agent. At the close of a season the sale societies distribute the net proceeds of sale amongst members on the basis of quantity supplied by each to the common pool. A Patti is then made showing the value of cotton and the deductions made under various heads. Originally the societies did not have their ginneries and consequently they had to pay heavy charges levied by the local ginning factories on kapas taken for ginning. In order to counteract the discriminating charges a ginning factory was set up in the year 1925 by the Sonsek Society in combination with other societies in the vicinity, and named after Purshottam Patel—the Sonsek pioneer. The ginning factory thus established was able to bring down the charges of ginning almost to a half and it built up adequate reserves and depreciation funds. Further, it paid dividend and bonus to members according to the quantity of cotton ginned. During the year 1938-39, this society ginned 1,33,128 maunds of cotton and earned ginning charges to the extent of Rs. 36,381. The establishment of this factory had an adverse effect on the private ginning factories which could do little business and one factory is even said to have gone into liquidation. Encouraged by the success of this pioneer ginning factory, six other sale societies set up two more co-operative ginning factories in their area of operation. In the year 1930, 16 cotton sale societies and 3 ginning societies formed a union of their own under the name of the Southern Gujarat Co-operative Cotton Sale and Ginning Societies' Union Ltd., with headquarters at Surat. The main object of the Union is to find buyers in the Surat cotton market for the cotton of its affiliated societies which is ginned, graded, and pooled. The Union keeps itself in touch with the cotton markets at Surat, Ahmedabad and Bombay. It tenders advice to its members about selling their cotton at the proper time. For its services it charges a small fee of As. 4 to As. 6 per bale of 400 lbs. of cotton. It carries out internal audit of its affiliated societies also and has devised a uniform set of accounts for use by its affiliated societies. It gives proper guidance to the societies and helps in the establishment of new societies, holds training classes for the benefit of directors and employees of societies and finally holds conferences of cotton sale and ginning societies for the discussion of problems of common interest. Some of the sale societies have started selling their cotton forward as some difficulties are said to have

been experienced in making sales in the spot market, and the Union has framed rules governing these transactions and has also set up an advisory committee to help the societies during the busy season. As a result of the new method of sale, societies are said to have realized better prices. One of the duties of the Union is to have the cotton of societies insured which it does, with the New India Insurance Co. of Bombay which pays 15 per cent of the premium as commission on the business secured by it. The managing committee of the Union consists of 8 elected members representing cotton sale societies and a nominee of the Co-operative Department. During the busy season each of the managing committee members attends to the sale of cotton in turn. The Panchayatdars or secretaries of affiliated societies also attend to the sales at Surat whenever possible. The Union maintains a secretary and a supervisor. The latter is responsible for auditing the accounts of affiliated societies during the off-season. He also looks to sales during the busy season. A special feature of the working of the Union is the arrangement made for boarding and lodging on its premises for the workers of cotton sale societies who go to Surat for the purpose of selling their society's cotton. The facility of accommodation provided by the Union is much appreciated by the cotton sale societies. This arrangement serves to bring the members of affiliated societies in closer touch with each other and frees them from the necessity of wandering about in search of accommodation in the crowded city during the busy season. Further, it gives them an opportunity also to compare notes and exchange views in a friendly manner. The Union had at the close of the co-operative year 1940, 23 co-operative societies as its members and 7,041 members of its affiliated societies. It arranged for the sale of 25,526 bales of cotton, the percentage to total sold in the Surat market being 12.4. Thus the Union was a growing factor to reckon with even in the year 1940 and was in a position to bargain effectively with big buyers who supply cotton to mills in Ahmedabad and Bombay. The Union receives and makes arrangements for the distribution of improved varieties of cotton seed in collaboration with the Department of Agriculture. The following statement showing the number of its affiliated societies and the number of members of affiliated societies, the number of bales sold and the percentage to total sales of

cotton bales in the Surat market and other details during a period of 7 years ending 31st October, 1955, indicates that the Union has been able to maintain its steady progress and is proving useful to its members.

1. Particulars	1949	1950	1951	1952	1953	1954	1955
1. No. of affiliated societies to the Union	26	44	48	44	42	38	43
2. No. of societies actually working out of (1) above	24	36	37	35	35	38	43
3. No of members of affiliated societies	9,206	11,414	13,481	14,169	15,046	16,619	21792
4. Total number of bales sold by the affiliated societies	12,517	18,168	25,059	15,575	26,358	47,807	66,780
5. No. of bales sold by non-members through the Union	—	—	3,629	3,781	2,959	36,22	2971
6. Total number of bales sold in the market	72,585	1,26,000	1,20,000	94,055	1,27,801	170,000	2,08,522
7. Percentage handled by the Union to total bales	9.06	16.8	23.09	20.5	23.2	29.5	33.4
8. Commission earned-		3871,	5169	4828	6864	8472	15494

The society has recently changed its name to the Daxin Gujarat Co-operative Cotton Marketing Union Ltd., Surat and has commenced collecting share capital which stood at Rs. 33,000 at the close of the Co-operative year 1955 (31st October).

3. Cotton ginning and pressing societies : It has already been pointed out that cotton in Gujarat is first ginned and then pressed into bales before it is sold. Thus pressing is also arranged by cotton sale societies at presses either owned by themselves or others. In addition to the three ginning factories already set up a bigger achievement in this direction has been the establishment early in 1934 a co-operative ginning and pressing society by six of the sale societies in the neighbourhood of Surat with 750 individual members under the name of the Farmers' Ginning and Pressing Society Ltd. Prior to the formation of this society the cotton sale societies in Surat used to get their cotton ginned at the Purshottam Co-operative Ginning Society and to

make contracts for pressing lint with the cotton press owners of Surat. In the year 1933 the press owners formed a ring and refused to make contracts with the cotton sale societies. They also raised the pressing charges from Rs. 2-8-0 to Rs. 4-8-0 per bale of cotton. In the circumstances the sale societies in the area decided to have their own cotton ginning press in the year 1934. The necessary capital was subscribed by the cotton sale societies and the growers of cotton. The Surat District Central Co-operative Bank also gave the requisite financial assistance. The society installed machinery worth Rs. 42,000 in a building erected at a cost of Rs. 20,000. Within a year it also purchased a ginning factory for a sum of Rs. 28,000. The press has a capacity to handle 20,000 bales in a season and the gin, 6,000 Bhars of 12 maunds each, of seed cotton.

The main object of the society is to gin and press cotton brought to it by the affiliated societies and to put up gins in places where cotton sale societies are not in a position to do so.

4. Membership : Membership is open to growers of cotton and cotton ginning and sale societies. Every member is required to purchase at least one share of Rs. 25. Individuals can purchase not more than 20 shares, while there is no such restriction on the number of shares to be purchased by member-societies. The society has been making steady progress and the comparative statistics for the years 1940, 1953 and 1955 are given in the sub-joined statement :—

Particulars	1940	1953	1955
1) Number of members :			
Individuals	735	935	951
Societies	10	13	15
2) Share capital (in thousand Rs.) ...	71.2	86.12	86.2
3) Rate of pressing one bale of 400 lbs.	5-4-0	9-4-0	9-4-0
4) Rebate allowed per bale pressed	1-4-0	1-0-0	2-0-0
5) Rate for ginning per Bhar of 12 standard maunds	4-0-0	12-0-0	10-8-0
6) Working capital (in thousand Rs.)	176.2	295.9	621.3
7) Reserve and other funds (in thousand Rs.)	52.0	280.8	328.4
8) Net profit (in thousand Rs.)	8.0	9.4	11.0
9) Value of property owned by the society (in thousand Rs.) ...	90.0	338.86	373.0

It will be observed from the above table that the share, reserve and other funds and working capital have recorded a satisfactory rise. Though ginning and pressing charges are generally fixed lower than those charged by privately owned gins, they have been gradually on the increase since the year 1940. There has been a decrease in the rebate allowed.

5. **Methods of doing business :** When the season starts sale societies open their offices near the ginning factories and members of sale societies take cotton to the ginning factory where it is weighed. The ginning society maintains a register showing the name of the sale society, the name of the village, and net weight of kapas received. The kapas of each society or individual is ginned separately. When it is half pressed it is passed on to the press for being pressed into pucca bales. Cotton seed is either purchased by the ginning society for the purpose of sale or returned to the member concerned. A record for each society or for each individual is maintained, showing the quantities of cotton ginned and pressed. When the cotton is pressed into bales, buyers visit the press and offer prices. Prices are then settled and buyers remove the bales. A receipt is obtained from buyers and an entry is made to that effect in the register maintained by the ginning society. Accounts with members are settled at the end of the season. Ginning charges are paid by sale societies or by individual growers concerned and pressing charges are paid by buyers at the time of purchase.

6. **Finance :** Requisite funds are obtained from the Surat District Central Co-operative Bank which charges 4 per cent interest on advance made against the pledge of goods.

7. **Management :** Representatives of sale and ginning societies and individual members form the general body which meets either in November or December as the co-operative year closes on 31st October. The general body elects a managing committee of not less than 10 and not more than 15 from the following constituencies :—

(1) 2 from member societies getting the cotton ginned.

(2) 50 per cent of the remaining from member societies and individual members.

- (3) 50 per cent from member societies getting their cotton pressed with the society.

The number of delegates to the general body which a sale society is entitled to send depends on the quantity of business done by it with the ginning society during the previous year. A sub-committee consisting of 3 to 5 members is appointed by the managing committee to look after the day-to-day administration of the society, and it meets once a month.

8. Staff : The appointment of the manager is made by the general body and other staff is appointed by the managing committee. The staff is paid remuneration in a lump sum on the basis of the working season covering a period of 2 to 3 months. In addition a commission on the turnover of business is also paid ; but the supervisor and the peon working under him do not get such commission on turnover.

Gujarat and Karnatak Societies : A Contrast

"From what has been stated regarding the working of Societies in Karnatak and Gujarat in the foregoing pages, it will be observed that there is a material difference in the working of the two types in several respects as mentioned below :—

(a) *Area of operation* :—The area of operation of the Karnatak type is wider than that of its counterpart in Gujarat. The former extends over 1 or 2 talukas where the soil and climatic conditions differ materially and give rise to variations in the quality and the ginning percentage of the cotton grown. The jurisdiction of the Gujarat type of Societies is, on the other hand, confined to a compact block of villages having similar conditions of soil, climate etc. The result is that the quality or grade of cotton grown in the area is very similar. Before a group of villages is included in the area of a co-operative society, care is taken to restrict the membership only to those villages which grow cotton of uniform quality.

(b) *Membership* :—In the Karnatak type of society membership is open both to individuals and societies situated in the area of its operation. Among the individual members were included a few non-cultivating landlords and a few persons also engaged

in cotton trade, but now the membership is strictly confined to owners or cultivators growing cotton and merchants are not admitted to membership. In the Gujerat type, the membership was restricted from its very inception to cotton-growers leading to homogeneity and smooth working of societies. The establishment of ginneries and pressing factories and formation of unions of various cotton sale societies for the development of co-operative marketing in the area have demonstrated the unity of interest of members joining the societies.

(c) *Handling of Produce* :—Co-operative sale societies in Karnatak undertake to sell produce of both members and non-members, with a view to securing advantages of bulk handling. As the area of operation is normally large, producer-sellers may use seed obtained from any source with the result that cotton brought to the Society is not of uniform quality. Grading thus becomes necessary both for quality and ginning percentage, despite the operation of the Bombay Cotton Control Act. In contrast with this, the Gujerat Societies handle only their members' produce grown out of the seed supplied by the Societies. Besides, the area from which cotton comes is a compact one and grading is not generally done. The producer-seller in Karnatak brings his cotton to the society as and when he finds it convenient to do so, while in Gujerat cotton is brought to the Society as soon as it is picked up, and the Society itself arranges for its transport, wherever necessary. Hence, mixing up of cotton of different pickings is obviated and pooling does not involve any difficulty. Again, the Union keeps in constant touch with local merchants and buyers in cotton markets in Bombay and Ahmedabad, and it can, therefore afford to secure a fair and square deal in the disposal of its affiliated societies. Further, as the cotton is always ready in pressed bales for disposal, it can be easily transported to terminal markets, in case the local buyers or local merchants try to keep the prices low. A few of the societies, it is reported, resorted also to forward sales but the practice was not very popular.

(d) *Method of Sale* :—Co-operative cotton sale societies in Karnatak merely function as cutcha adatyas and sell the kapas or seed cotton to dalals or other firms, most of whom are the purchasing agents of cotton exporting firms or cotton mills. As soon

as the docras are received in the society, a sample of 50 tolas of cotton is taken out from each docra and it is examined and ginned with a view to determining its quality and ginning percentage. The docras are then weighed in the presence of the cultivator and the weight of the gunny or bardan is fixed for the purpose of allowance, and the producer-seller is then given a patti showing the weight, classification, grade of the docras etc. If the docras are received at least three days in advance of the date of the auction sale fixed, they are put along with the lots of docras of similar description, for auction sale, unless they are rejected. If the cultivator or the producer-seller is not satisfied with the class or grade assigned to the docras, he may withdraw the sale from the lots to be put to auction and get them re-classified or have them sold independently. If he wants to postpone the sale of cotton in anticipation of rise in price, he is at liberty to do so, but he has to pay additional charges for storage, interest and insurance. The cultivator retains ownership of the docras sent until they are sold either by auction or by private treaty. It is generally the rejected docras, because they do not fall within the accepted grades or have a low ginning percentage that are sold by private treaty. No pooling is done before sale, because the middlemen-merchants prefer to purchase seed cotton only for the purpose of mixing of different grades, so as to produce a type of cotton which would give them a higher price, or they are interested in local private ginneries and processing factories. The producer-sellers, if present at the time of auction, are consulted before accepting the final bid at auction sales. If the producer-seller wants to wait for a better market, he preferably keeps cotton at home, in order to avoid the cost of storage, insurance charges etc., which he is called upon to pay, if the cotton were taken to the godown of the Sale Society. Because of careful grading, and disposal of big lots and of the fact that most of the Cotton grown is from quality seed, now supplied to a greater extent by the co-operative sale societies, better prices are obtained for the cultivator in Karnatak. Co-operative Sale Societies in Gujerat, on the other hand, supply improved seed of uniform quality and variety to all their members and the cotton so grown out of the seed supplied by societies is brought to the ginneries and press factories either established by the co-operative agency or which are privately owned but patronized by the co-

operatives with which the societies have entered into contracts for ginning and pressing the cotton of the members on some favourable terms. The Managing Director of a Sale Society in Gujarat is a man with a fair knowledge of cotton business and unlike his counterpart in Karnatak, is elected for each cotton season. He does not draw a fixed salary but his services are remunerated on the basis of a share of the net profit or commission earned by the societies. The Managing Director is intelligent and knows his job well, and every effort is made by him to secure the best price for the produce of the members at minimum cost. The staff of a Co-operative Sale Society in Gujarat temporarily shifts the Society's office for the season to the ginning and pressing factory where the cotton of each member is weighed and a receipt is given therefor. It is then pooled, ginned and pressed and kept in the form of pressed bales and sold by the society through the union to which it belongs, if one exists, to buyers in a big market like Surat. When the quantity of produce is sufficiently large, the pressed bales are sold in convenient lots, as and when the market is favourable. The Society always keeps in touch with the dealers in cotton and big traders in the bigger cotton markets like Bombay and Ahmedabad, and, if necessary, it sends out the pressed bales for sale in such markets.

(e) *Payment of Sale proceeds*.:—In the case of Co-operative Cotton Sale Society in Karnatak the sale proceeds of the member's cotton are paid to him within a fortnight of such sale. Cotton of a different quality or grade may fetch different rates, depending upon the time of the sale of produce, while in the case of a co-operative cotton sale society in Gujarat, the average price obtained during the whole season for the cotton of similar grade of all the members is paid at the end of the season. If the member is in need of funds, he gets an advance up to 70 per cent of the value of cotton at the prevailing rate. The method of sale adopted is that a meeting of the Managing Committee is held once or twice a month which, after taking stock of the whole situation, decides to put on the market a certain quantity of cotton during the next month or a fortnight. After this, the Managing Director is free to sell the stock earmarked to whomsoever he likes, but in order to avoid the charge of speculation, the best method for any society is to sell its stock of

cotton gradually in an orderly way and not to wait for a change rise in prices. Another method of avoiding the trouble is to shorten the period of the pool with a view to lessening the effect of disparity in prices obtained at different auctions, say a month or so. As there is the physical mingling of the produce of all members of similar quality, the identity of individual ownership gets lost and the member is only entitled to a proportionate share of the net sale proceeds *pro rata* to his contribution to the pool: To sum up, the Co-operative Cotton Sale Society in Gujarat is more co-operative than its counterpart in Karnatak, because of the coherence, loyalty and unity of purpose among its members. The societies in Gujarat have successfully eliminated the biggest chain in the marketing of cotton—the gin-owner. They perform marketing services economically and in case there is a surplus left after deducting all expenses, the surplus is returned to the cultivator-members in the form of rebates. The greatest benefit that the co-operative sale movement has conferred on the farmer is the reputation that is earned for him of putting on the market clean and unadulterated stuff. Hence the cotton sold through the co-operative sale societies fetches better price from the Gujarat spinner who is the principal consumer of staple cotton. To what extent co-operative sale societies have been a factor to reckon with in the cotton market can only be judged from the extent of produce handled by these societies in different regions as compared with total arrivals in the market. The percentage of cotton handled in the Karnatak region by the various cotton sale societies and purchase and sale societies was on an average 25, though the percentages ranged from 3 to 90 in different areas. The percentage of cotton handled by the Gadag, Hubli, Annigeri and Ron Co-operative Cotton Sale Societies and the Annigeri Co-operative Processing Society in the Dharwar District was, during the year 1953-54, 41, 18, 36, 80 and 34 respectively, to the total arrivals in the market. While the percentage of cotton handled to the total arrivals in the case of Amod and Hansot Co-operative Cotton Sale Societies in the Broach District was 46. In the case of Sadhali, Karjan and Itola Co-operative Cotton Sale Societies in Baroda District the percentage was 51, 43 and 53 respectively. The Dhandhu'a, Sanand-Mahal, Bhatnal-kantha Vibhag and Mandal Vibhag Co-operative Cotton Sale Societies in Ahmed-

abad District handled 20, 10, 8 and 7 per cent respectively of the total quantity of cotton sold in the market. The Southern Gujarat Co-operative Cotton Ginning and Pressing Societies' Union handled 29.5 per cent of the cotton grown in the area during 1953-54. The following table gives the statistics regarding the working of co-operative sale societies in Gujarat for a period of three years ending with 30th June 1954 :—

Particulars	1951-52	1952-53	1953-54
No. of Societies.	58	55	58
Membership.	14,528	15,856	17,146
in lakhs			
Paid-up Share Capital	Rs. 5.42	6.33	6.82
Working Capital	46.73	46.30	53.86
Value of Cotton sold.	101.60	224.0	344.0
Commission earned.	0.52	0.90	1.15

The following statistics are indicative of the progress of Cotton Sale Societies in Karnatak:—

Particulars.	1951-52	1952-53	1953-54
1. No. of Societies	11	9	4
2. Membership :—			
a) Individuals.	12,118	10,756	7,561
b) Societies....	447	344	286
3. Paid-up Share Capital (in lakhs) ...	1.98	2.42	0.85
4. Reserve and other funds. Do ...	5.23	5.03	4.24
5. Value of stock sold Do	175.75	88.96	63.19
6. Net Profits	+1.57	+1.07	+0.73
7. Bonus to members if any paid. (in lakhs)	Information not available.		

Co-operative Marketing in Khandesh

Local Markets and the Marketing System

The Khandesh tract also devotes a very large area to growing cotton which is the chief commercial crop yielding money to cultivators. Khandesh cottons go generally under the trade name of 'Oomras'. This variety is generally used in Indian mills for mixing with long-staple cottons and it is also meant for export. The attention of the Agricultural Department was in the early days directed towards breeding a strain of cotton having a better staple and higher ginning percentage. In the two districts of Khandesh

there are in all 45 markets, the greater number being in the East Khandesh District. Cotton-picking in Khandesh commences from October and lasts till the end of December, and the produce is transported as seed cotton in open carts from villages to markets, for sale during these months. The Khandesh cultivator disposes of his cotton in two ways viz., the seed cotton is sold to the merchant at the village as soon as it is picked in sufficient lots for disposal ; The buyer is shown the produce through a village dalal from house to house and the rates are declared by the buyers or the merchants. The cultivator is asked to state whether he accepts the rate offered, and if the rate is acceptable to him, weighment of produce is done by the dalal. The balance and weight used in many cases are found to belong to the village. The produce is then carted by the buyers and the amount of sale proceeds is paid either on the same day or after the lapse of two to three days. The only deductions are those made by the village dalal and these amount to 4 to 8 annas per 480 seers. On account of the motor transport that is available, cultivators are now in closer touch with the trend of prices in the market and that is why they are able to effect better bargains than before.

2. The seed cotton is carried to the market centre where the same is disposed of through a dalal. In a few cases seed cotton is ginned and lint is sold by cultivators. Though the number of markets is large and well-distributed throughout the tract, it is found that a very few cultivators take their produce for sale to good market centres. In market centres the daily rate is declared by merchants and firms dealing in cotton openly and when this is done, bidding for carts commences. Carts collect in the early morning and the respective dalals show the samples to buyers and bids are made under cover of cloth and the producer-sellers accept the rate. No memo is given to the sellers at this stage. The carts are then removed to the various ginning factories where the weighment takes place. After this, the real bargaining begins. A memo of the weight of the consignment is made together with the rate and the cultivator is accordingly paid on the same day, and it is common to find that discounts are claimed on account of dampness or low ginning percentage. Sometimes the cotton sold is sought to be rejected on the ground that it does not conform to the sample. Such claims are

made after weighment has commenced and the cultivator has naturally no option but to accept the new rate. This allowance may not exceed 1 to 1½ per cent. Besides these deductions, there are other charges such as hamali, commission, Panjrapole, Dharmadao etc. and these allowances may range As. 12 to Rs. 2/- on cotton weighing from 430 to 792 seers in a cart. It may be noted that regulated markets are being established all over the State which exercise an indirect influence in bringing down these charges to some extent. There are two points on which marketing of cotton in Khandesh differs from that in Karnatak :—

(1) The dalals or brokers in Khandesh are not financing the cultivator.

(2) The weighment and rate etc. are settled in the presence of the cultivator in Khandesh and money is paid on the same day.

Co-operative Marketing of Cotton in Khandesh and Nasik Districts

(a) The Working of a Cotton Sale Society: The Government of Bombay sanctioned in the year 1942 a scheme for organisation, supervision and management of 16 cotton sale societies on the Surat model in the first instance in the East Khandesh District with the object of multiplying and distributing pure Jarilla seed and orderly marketing of Jarilla cotton of members of cotton sale societies and other approved seed growers. Under the Scheme 16 societies in the year 1942 came to be established and a supervisor was also appointed at Government cost to supervise their working. The whole scheme was supervised by a committee consisting of the Assistant Registrar, Co-operative Societies Jalgaon, the Cotton Superintendent, Jalgaon, and the Chairman of the East Khandesh Central Co-operative Bank. The Managing Director of the East Khandesh Central Co-operative Bank and the Marketing Inspector, Jalgaon, worked as Joint-Secretaries. The area of operation of a cotton sale society established under the scheme is restricted to a group of villages within 5 to 7 miles' radius of a central village in the group. The main object of such a society is to multiply pure Jarilla seed, organise its distribution and to market the pure Jarilla cotton in convenient lots after

pooling and to distribute the sale proceeds among the members by striking the average for the whole season, in proportion to each member's contribution to the total pool. The society can also undertake the work of distribution of agricultural and domestic requirements and the marketing of other agricultural produce and products of small-scale industries. Membership is of two classes, viz. (A) and (B). It is not open to a person who does not cultivate his land personally or by the help of his servants. An (A) class member has to buy at least one share of Rs. 25 payable fully on allotment or at the discretion of the general body in two or more instalments. A (B) class member is required to pay an entrance fee of Re. 1 with or without a share which does not rank for dividend. A (B) class member has no right of voting nor of participating in the management of the society. He can, however, get seed loans in kind. It is open to a (B) class member to be promoted to (A) class at any time if he subscribes to at least one share. Capital is raised by means of entrance fees, deposits, shares, loans from non-members or a central financing agency and donations. If and when necessary, a society can raise additional funds by pledging the produce in its possession with the financing agency. The Management of the society is vested in a committee of 7 to 15 persons including the Chairman and the Vice-Chairman elected at the annual general meeting. The committee is usually constituted so as to include at least one leading member from each of the villages in the jurisdiction of the society. The first committee of management is nominated by Government and holds office for three years and thereafter election is held annually. The managing committee can appoint a sub-committee for the performance of any of its functions. The bye-laws of a cotton sale society also provide for the appointment of a control committee consisting of the Assistant Registrar, C.S., Jalgaon, or his deputy, the Managing Director of the East Khandesh Central Co-operative Bank, the Marketing Inspector, and the Chairman of the society. The control committee is empowered to hear appeals against the decisions of the managing committee in certain cases, to suspend the operation of any resolution passed by the managing committee and to keep control over the staff. The secretary of the society is appointed by the Assistant Registrar who has also the powers to dismiss the secretary. Loans for cultivation purposes are granted by the society

at the rate of Rs. 6 to Rs. 10 per acre under cotton. Seed loans are given in kind and manure loans are also given. Loans for weeding and harvesting are also granted. The total amount of loans is not, however, allowed to exceed 4 times the paid-up share capital held by a member. It is open to a member of a village credit society to take crop loan either from his own society or from the sale society. Produce pledge loans are also given up to 60 per cent of the market value of the produce pledged with the society. Higher pedigree seed is given to a few selected members of the society and every member has to use the seed supplied by the society and no other. In order to maintain the purity of the seed and its quality, the cotton crop of every member is rogued two or three times under the supervision of the staff of the Cotton Superintendent of the Agricultural Department and the society's staff. Members are induced to send their cotton to a ginning factory selected by the sale society and advised not to mix up cotton of third picking with that of first and second pickings. Premium is paid for clean picked cotton over the average price and if any member is unable to cart his produce to the society the society helps him in engaging a cart on hire. As soon as cotton arrives at the factory it is weighed by the society's men and a receipt is passed. The sale societies shift their offices to the ginning factory at the commencement of the season, and negotiate with factory owners the terms and conditions of ginning their members' produce. The gin-owners give various facilities to the societies such as accommodation for office, free use of godowns, free use of scales and weights, free use of tarpaulins to cover the stock of cotton in case of untimely rain, free loan of gunnies, and encashment of cheques issued by the sale societies. As soon as cotton of first and second pickings is brought to a ginning factory yellow or damaged cotton, if any, is removed and it is thereafter ginned. When the ginning is completed the ginned cotton and seed are separately weighed. The seed is bagged and sealed by the staff of the Cotton Superintendent and ginned cotton is packed in gunnies called Docras and stored or kept in the open compound of the factory. Thus the cotton of all members is pooled and then sold. Sales are organized by committees of societies in consultation with the sales manager and cotton is usually sold by auction. On the day fixed for auction sale, arrangements are made to obtain the

opening Bombay price quotations of the day by telegram. Notices of auction sale are posted sufficiently in advance not only to buyers in the district but also to purchasers in centres like Bombay and Ahmedabad. But when the lots available for sale are not sufficiently large or when cotton is damaged or when it is of third picking sales are effected by private treaty as well. In all auction sales or sales by private treaty cotton sold by a society is said to have been able to secure a premium, varying from Rs. 2 to Rs. 10 per Bombay Khandi over the prices offered to similar cotton in the same market on the same day. Some of these societies were able to secure more favourable rates for groundnut cake supplied to members for manuring their cotton crops and they also helped their members by purchasing for them on commission, articles of domestic requirements such as gur, cotton seed for cattle feed, etc. They had also been recognized as authorised distributors of rationed sugar and were also running fair price shops. One of the main problems of these societies is the recruitment and training of the right type of men to work them. Practical training and service under the societies once the right type of personnel is selected would appear to solve the difficulty.

24 Cotton Sales societies, 16 in East Khandesh, 6 in West Khandesh and 2 in the Nasik District working under the Scheme continue to show satisfactory progress. They had a total membership of 6,239. Of this membership, 6,219 were individuals and 20 were societies. During the year 1952-53 their working capital stood at 10.72 lakhs. They sold cotton valued at Rs. 23.96 lakhs. With a view to supervising the working of these societies conducting sales, special staff consisting of a Salesman and a Supervisor was continued by Government for a further period of three years with effect from the year 1952-53, subject to a further condition that the extent of contribution towards the scheme should be progressively reduced by 12½% during the latter half of the financial year 1952-53 and by 33 per cent in each succeeding year, so that at the close of financial year 1954-55 the scheme should be a self-supporting one without any Government assistance.

In order to improve the machinery of marketing and processing in the country, the Standing Advisory Committee of Legislature for the Ministry of Food and Agriculture, recommended

at its meeting held on 2nd May, 1949, that a small committee be set-up to visit the main cotton areas with the object of suggesting practical ways and means of improving the marketing of cotton. In accordance with the recommendation of the Standing Advisory Committee the Government of India in the Ministry of Agriculture appointed a 3 Man Committee under Dr. Punjab-rao Deshmukh, with the following terms of reference.

“To suggest ways and means of improving the marketing of cotton by reducing the intermediate links between the growers and textile mills. For this purpose the committee may study the working of co-operative cotton sale societies in the Bombay Province and other areas, and suggest lines of further development”.

The recommendations of this committee are given below :—

(1) Cotton-growers lose 5 to 10 per cent of the value of their crop by selling in villages which they are obliged to do owing mainly to their weak financial position. To save this loss to the cultivator, and to eliminate unnecessary middlemen, provision should be made for short term finance on the security of the crop through village co-operative credit societies, or multi-purpose societies, or sale societies, as may be found feasible in each area.

(2) The State Governments concerned should arrange with the help and in consultation with the Indian Central Cotton Committee and the Agricultural Marketing Advisor to the Government of India for a quick survey of all unregulated important markets for cotton, and take early steps for the regulation of such markets so that the cultivator may be able to sell his produce without fear of his being cheated and profitably.

(3) Representation of growers on a regulated Market Committee be kept in a statutory majority, and the representatives should be so selected or elected that they may be able to get all possible improvements introduced in the interest of the grower. The Chairman of the Market Committee as far as possible should be a grower, and the persons selected for working as Superintendents or Secretaries of Market Committees should have a rural outlook and possess necessary knowledge and practical experience of the marketing of agricultural produce.

(4) Market areas should be clearly defined and no attempts should be made to regulate sales or license functionaries in distant areas where no supervisory staff can be provided.

(5) Steps should be taken by the State Governments concerned to ensure that in all their wholesale assembling markets cotton is sold by auction ; if necessary, pending their complete regulation at a later date.

(6) The system of sale, weighment, sampling, delivery, payment, etc., adopted by a Market Committee, should be such as to leave no room for suspicion or malpractice. Sales should be restricted to common market yards, and as far as possible deliveries should also be arranged in such yards.

(7) Merchandising charges should be laid down on a uniform and rational basis, and under a few specified heads. These should be made payable by the seller up to a particular stage in all markets, and after that by the buyer. Unwarranted deductions for karda (quality allowance), Dhalta (Additional weight, bardan (tare weight), namuna (sample) and muddat (discount for cash payment) as also for all other charges, e.g. charity which are not levied on the basis of any service rendered, should be prohibited.

(8) Market Committees should not license more functionaries than what are considered necessary for the proper operation of the market. Working of various functionaries should be effectively controlled and supervised, and the licences of undesirable ones should be unhesitatingly cancelled.

(9) Market Committees should also take steps to stop mixing of different varieties, and where possible arrange for grading of improved varieties on purity basis before sale.

(10) Arrangements should be made by the Market Committees to obtain and exhibit each morning the previous evening's closing price of relevant key markets, together with price parities for the local market.

(11) To ensure necessary technical guidance and supervision, local marketing staff should be made responsible, where it has

not yet been done, for the administration of the local Market Acts. A Marketing Inspectorate should be organised under the control of the Chief Marketing Officer in each State for the proper supervision and control of regulated markets. The necessary executive powers should also be given to the marketing staff under the Local Market Act.

(12) Each market should have an arbitration sub-committee, and all cases of disputes should be referred to such committee for its immediate decision.

(13) Marketing Committees not found working satisfactorily should be suspended or superseded and proper arrangements made for the working of the market under the supervision of the Local Marketing Officer.

(14) Arrangements should be made for organising an All-India Advisory Service under the auspices of the Agricultural Marketing Advisor to the Government of India with a view to giving all possible assistance to State Governments for an early regulation of all important markets as also for making available the results of experience gained and the developments made in different States to each other.

(15) To ensure increased income, the markets regulated for cotton can also be regulated for other important agricultural products handled in such markets and *vice versa*. Besides other things, this would enable the Market Committees to employ trained and efficient supervisory staff.

Distribution

(16) Standard samples should be prepared for all important varieties of cotton; Sets of Standard samples of the varieties concerned should be kept in all regulated markets so that the sellers in the primary markets may also be able to take advantage of such samples and trade on the basis of the Standard Contract.

(17) Standard Contracts should be prescribed to cover all important types of cotton, and their use should be made compulsory by legislation. These could be enforced through the local trade associations. Arrangements for arbitration, which are

particularly lacking in most of the markets, should also be provided under the terms of such Standard Contracts.

(18) Hedging facilities are not available for all important varieties at the East India Cotton Exchange, Bombay, as the types of cotton which can be tendered against the contract of this exchange are limited. Cotton exchanges should, therefore, be organised at one centre each in Southern India, Central India and Northern India. Since cotton has now been brought within the purview of the Centrally Reserved Subjects, the existing State enactment should be replaced by a uniform Central legislation, and all the cotton exchanges in the country should be regulated in accordance with the provisions of such enactment.

Co-operative Marketing

(19) Co-operative Sales Societies should be organised in all important cotton zones under the patronage of the local agricultural officers for the supply of seeds of improved varieties and to advance loans for the cultivation of such cotton. Propagation of improved varieties should as far as possible be arranged on fields of members of Co-operative Societies. Such societies should also arrange for the controlled ginning of their members' cotton and its grading under the Agmark before sale. The desirability of grading and marking pure cotton seed of different improved varieties under the Agmark should also be examined.

(20) Registrars of Co-operative Societies should arrange to establish at least one co-operative sale society in each important market, particularly with a view to setting up standards of trade conduct and introducing an element of competition among the buyers even where their number is not sufficiently large.

(21) State Governments should help Cotton Co-operatives as and when necessary in securing gins and presses which are lying idle at an economic price.

(22) Steps should be taken to organise distribution of cotton assembled by sale societies in Gujerat on co-operative basis direct to textile mills and exporters.

Weights and Measures

(23) Only Indian series of weights should be used for the trade within the country, and the use of Avoirdupois or Metric weights should be allowed only in the export trade.

(24) The units of weights and their multiples and sub-multiples should be prescribed and designated by law, and these should be the same for the country as a whole.

(25) Suitable Central legislation should be enacted for standardising weights and basis of price quotations, and this should not be postponed pending introduction of Metric system of weights, the position about which is very uncertain.

II. Co-operative Marketing of Milk in the Bombay State

The following schemes for the promotion of dairying as a subsidiary industry in rural areas, are in operation in the Bombay State. The object of the schemes is to afford scope for co-operative enterprise in the matter of collection, supply and distribution of wholesome milk to the city-dwellers.

- (1) The Bombay Milk Scheme which is under the control and supervision of the Milk Commissioner, Bombay.
- (2) Post-war Reconstruction Schemes Nos. 62 and 63.
- (3) The Milk Scheme operated by the Agricultural Department, Bombay State.
- (4) Co-operative Dairies functioning outside the ambit of the above schemes.

The organization of milk producers on a co-operative basis in the Bombay State has recorded good progress and has been working successfully in regularizing systematizing and developing co-operative dairies in the State. A special Officer of the cadre of Assistant Registrar was sanctioned by the Government of Bombay during the year 1952-53 for the purpose of looking after the work of organization and development of the dairy movement on co-operative lines not only in the areas selected for intensive development, but in other areas as well. Two Organizers, one at Anand and another at Bombay, have been appointed to look after

the Milk Producers' Societies in their respective areas. Owing to the continued efforts of the Co-operative Departmental staff concerned, the co-operative dairy movement in the State has shown considerable expansion. There were as many as 123 co-operative dairies including seven Unions at the close of the co-operative year 1952-53.

(a) *The Bombay Milk Plan and Co-operative Dairies* :—Out of 123 societies including 7 unions, as many as 81 societies and 3 Unions were situated in Bombay City, the Bombay Suburban Area and the Kaira District serving the Bombay Milk Plan. Of the latter, 60 societies and 1 union in the Kaira District have made considerable headway and the remaining 21 are situated in the Bombay City and the Suburbs. Thus the Bombay Milk Plan is divided into two parts so far as production and supply of milk by the dairy societies is concerned.

(i) Bombay Area comprising Bombay City and Bombay Suburban District (including Government Milk Colony at Aarey).

(ii) Anand area of the Kaira District.

(i) The co-operative dairy societies in the City and Suburbs of Bombay are formed by cattle-owners and milk producers and they make loans to their members for the purchase of milch cattle, supply the members with fodder, cattle feeds and help them in the disposal of milk. Seven societies have entered into a contract with Government to supply it fixed quantities of milk of standard quality, as prescribed by the Milk Commissioner and on their failure to do so, they are required to pay a penalty according to the scale laid down by the Commissioner. The Unions are intended to help the member-societies and their members both in the matter of purchase of milch cattle and supply of fodder and feeding stuff. These Unions are not working well for several reasons which need not be gone into here. The affiliated societies collect the milk of members at their own offices and arrange to transport the same to the Government Milk Colony at Aarey in Government cans, the charges for transport being recovered from members. The Societies will get the price of milk from the Commissioner once every ten days and they make

disbursement to the members after deducting their own nominal commission varying from 2 annas to 8 annas per Bengali maund.

(ii) *Co-operative Dairy Societies in Anand Area*:—Each society collects milk from producers at a central place in the village, tests it with the lacto-meter and pays cash to the member for the milk supplied at the full price fixed by the Government of Bombay on the basis of its fat percentage. It then transports the milk in sanitary cans by its own or hired or the Union's motor truck to Anand in fair season. During the monsoon when some of the villages having these societies are inaccessible by motor trucks, milk is transported by head loads and railway, wherever possible. Some of the societies which are situated within a short distance of Anand send their milk in bullock carts as well. A number of societies have helped their members in constructing cattle-byres and common or individual manure pits under a scheme formulated by them in which 50 per cent of the cost is given as subsidy by the Union. They also grant loans for the purchase of cattle. Some of the societies have constructed sanitary sheds for common milking, installed pumping sets for irrigating fodder and food crops and for providing water for drinking and for washing for men and animals. The business of a co-operative dairy society is entrusted to a Committee of five persons elected at the Annual General Meeting. There were 60 milk producing societies in the Anand Area in the co-operative year 1953. Membership of a society consists of milk-producers who are agriculturists and who maintain one or two buffalos as secondary occupation. The purchasing and selling rates are fixed by the Milk Commissioner, Bombay, from time to time according to different seasons. The sub-joined statement gives the progress made by these societies during the period of three years ending 30th June 1954 :—

		1951-52	1952-53	1953-54
(1)	No. of Societies	58	60	63
(2)	Membership	8,982	11,235	14,741
(3)	Paid-up Share Capital Rs. ...	1,03,545	1,30,635	1,53,025
(4)	Turnover of Business (lbs.) ...	2,67,515	6,23,945	8,61,744
(5)	Cotton-seed distributed in lbs.	52,761	38,665	3,90,471
(6)	Net profit in lakhs (Rs.) ...	3.46	4.92	3.80

The following statement shows the comparative figures giving an idea of the progress and working of societies in the Bombay and Suburban area for a period of 4 years ending 53-54.

	1950-51	1951-52	1952-53	1953-54
(1) No. of Societies	17	19	21	21
(2) No. of Members	748	796	898	922
(3) Paid-up Share capital (Rs.) ...	60,328	72,921	83,388	88,658
(4) Reserve and other Funds... ..	65,647	77,457	1,04,367	1,13,331
(5) Turnover of Business,				
(A) In Bengali maunds ...	81,557	85,192	87,128	71,250
(B) Value (in lakhs) ...	28.31	27.77	29.46	28.60
(6) Profit or Loss (in thousands) ...	+87.2	+38.7 —9.1	+56.9 —9.7	—28.26

These statistics indicate that the number of societies, share capital and reserve fund are steadily on the increase. But the reduction in the amount realized on account of the sale of milk is partly attributable to the decrease in the rate of milk from Rs. 35 per maund to Rs. 33 per maund (Bengali). The deductions in the bills of societies for low percentage of fat and supply of smaller quantities than those agreed upon in the contract entered into in the year 1952 amounted to Rs. 87,661/- as against the previous year's deductions which amounted to Rs. 1,02,109/-. Societies were not in a position to retrieve their position even in 1953 on account of the past heavy losses due to short supply, low fat content, and souring of milk. Their funds were also locked up in irrecoverable dues from members which affected their financial position adversely. During the year 1952-53 some of the societies incurred losses on their working because of the discontinuance of the milk supply by the Milk Commissioner, Bombay. The societies in Bombay area but situated outside the area of the Aarey Colony have been affiliated to the Bombay Suburban Cattle-owners' Co-operative Societies' Union, Ltd., and those in Aarey Colony are affiliated to the Aarey Colony Milk Producers' Union. Both the Unions are not functioning well.

Early History

The Bombay Milk Scheme was introduced in the year 1945 in the Anand area as an experimental measure. The Scheme visualized sending to Bombay small quantities of milk from Anand after pasteurising it there. During the initial stages of the scheme, the collection of milk and its processing were left to milk contractors and private dairies with the result that very little of the increase in price offered by the Bombay Government was received by the farmers, as the increase was appropriated by the middlemen. This naturally resulted in creating a considerable amount of dissatisfaction among the farmers producing milk. A meeting of the milk producers of the Kaira District was, therefore, convened to discuss the question of dairying under the presidency of Shri M. R. Desai, the then Secretary, Gujarat Provincial Congress Committee at Samarkha in January 1946. It was unanimously decided at this meeting to organize milk producers' co-operatives wherever marketable surplus of milk was available and to establish as well a central dairy with headquarters at Anand to co-ordinate and consolidate the activities of all milk co-operatives in the area. The first Co-operative Society for the supply of milk was established at Hadgud on 26-10-46 and a few more societies came to be registered before the end of the year 1946. The milk collected from these co-operatives was processed by the Polson Model Dairy. The Kaira District Milk Producers Union was registered on 14-12-1946.

Objects of the Union

The objects as provided in the bye-laws of the Union are :—

(1) To purchase, pasteurise and sell milk of its members and to instal plants for pasteurising milk and preparing milk products.

(2) To make arrangements for the disposal of milk and milk products of its members or the members of its affiliated societies on a commission basis or to purchase the same from its members and the members of its affiliated societies and dispose of the same to the best advantage.

(3) To purchase milk from private sources in case the supply from members fails to keep pace with the demand.

(4) To purchase and distribute among its members or members of its affiliated societies cattle-feed and other consumer goods as may be required.

(5) To encourage the growing of fodder crops by its members or the members of its affiliated societies.

(6) To own or hold on lease or otherwise pasture lands and to undertake the maintenance of dry animals of its members and members of its affiliated societies, charging reasonable fees for the upkeep of each animal.

(7) To render veterinary service and to provide medicines for the cattle.

(8) To buy animals on behalf of members and members of its affiliated societies.

(9) To own a herd of cattle for producing milk for sale with a view to meeting any deficiency in supply on the part of members or members of affiliated societies, provided that insurance of cattle is arranged.

Membership

The membership of the Union consists of :—

(a) Any registered Milk Producers' Co-operative Society within the jurisdiction of the Union.

(b) Any registered co-operative society which undertakes to supply to the Union milk or its by-products belonging to its members.

(c) Any individual producer of milk residing in any village in the district where no primary milk producers' society exists at the time of his admission.

(d) Any other person who is a sympathiser, the number of such sympathisers being limited to one-fourth of the total membership.

A person is required to hold at least one share of the face value of Rs. 100/-, if he is admitted to membership, and must pay an entrance fee of Re. 1 also before admission. A person

is admitted to membership if he is otherwise eligible under the conditions laid down in the bye-laws.

The Board of Management

The Board of Directors consists of 13 members, of whom 6 represent the affiliated dairy societies, 1 represents the Central Financing Agency and 1 seat is reserved for the Assistant Registrar for Dairy Co-operatives in the State as representing the Co-operative Department. The remaining five including the President are individual members who have done the pioneering work and who continue still to render valuable services for the development of co-operative dairying in the area.

Assembling, Processing and Transportation of Milk to Bombay

The Union purchases milk pooled by societies on Government account under the Bombay Milk Scheme. Milking is done twice a day in the sheds attached to each supply house in the villages. 50% of the cost of these sheds is born by the Union and 50% by the individual supplier. Each shed costs about Rs. 125/-. The supplier of milk can pay the cost either in cash or in materials or in labour. Thus 700 cattle-sheds have been in all put up by the Union in different villages which number 80. 24 diesel pumping sets have also been put up. The wells in villages have been cleaned and re-bored and overhead water-tank and pumping houses erected. The water thus supplied keeps the cattle clean and is used in growing fodder-crops. Each pumping set costs about Rs. 20,000/-, half of which is contributed by the villagers. A silo-tower is constructed in each village. It is a building where green fodder is stored. The tower is erected with a view to getting the fodder ensilaged and then fed to cattle during the hot weather when green fodder is not available. Each village society has been provided with fat-testing equipment so as to maintain standards and to ensure that payment is made in accordance with actual fat-tests, which the villager can watch. It may be noted that the milk is not paid for by weight but by fat content. Milk containing more than 6.5% fat and 8.5% solids, not fat, gets the highest rate. Milk with lesser percentages gets less, while milk containing less than 6% fat and 8% solids, not fat

is not purchased at all. As a result of this purchase policy, the fat-content of the milk offered has risen steadily and is now 7.2% with 9.2% solids, not fat. There are three mobile veterinary dispensaries and they go round and visit each village twice a week to render free medical service for cattle. Milking is done generally in the villages by the farmer's wife who keeps a part of it for her domestic use and sells the surplus to the village society at its collecting centre. Payment is made on the spot according to the fat-content, as already mentioned, and volume. Milk is purchased at the rate fixed by the Government of Bombay. The rate per Bengali seer of fat is fixed at as low as Rs. 5-12 during the flush season; that is to say, in winter when milk is plentiful, and the rate is fixed at Rs. 7-14-0 during summer when production falls to 50% of the production during winter. The system of making payment on the basis of percentage of butter-fat in Bengali seer was evolved with a view to discouraging adulteration of milk with water, which is a common practice. The Union does not get any commission on the quantity of milk handled but a processing charge of Rs. 5 per Bengali maund of milk processed is allowed by the Government of Bombay. The Union collects the milk produced by 23,000 buffaloes in 80 villages covered by 64 co-operative dairy societies spread over a radius of 14 miles around Anand. The Union maintains its own fleet of motor lorries. In villages not falling on the road-side the milk is transported either on head-loads or in bullock-carts. When the milk is received at the Central Dairy at Anand, the Union tests the samples from each can for the fat-percentage and acidity, pasteurises the good milk by heating it to 180°F and quickly cooling it down to 40°F. The milk so pasteurised is kept in cold storage for 12 to 24 hours when it is transported in specially built and insulated railway wagons to the Government Cold Store at Mahalaxmi in Bombay for distribution to the consumers in the Bombay City and Suburbs under the Bombay Milk Scheme. At the outset, the Government of India made available to the union a part of the building of the Government Research Creamery at Anand to set up the pasteurising unit. Some old machinery belonging to the Government of India was also leased to the union. These were later supplemented by new purchases of machinery and other equipment. When the milk arrives in Bombay, it is re-pasteurised at the Aarey

Milk Colony, bottled and then distributed to the consumers. More than one-third of the quantity of milk distributed by the Bombay Government comes from the Anand Area. The milk from the Anand area costs only 10 annas a seer compared with Rs. 0-13-6 a seer that the Government of Bombay has to pay for nearly two-thirds of its supply.

Progress of the Union

The following statistical data will show the progress made by the union for a period of four years but during the year 1953-54 only nine months are covered.

Items	1950-51	1951-52	1952-53	1953-54
1. Number of Societies affiliated to the Union ...	38	58	62	64
2. Number of farmer-members ...	3,978	8,992	11,807	18,843
3. Paid-up Share capital (in lakhs)	0.72	1.19	1.43	2.24
4. Quantity of milk sold (in lakh lbs.)	110	200	273	239
5. Cost of milk sold (Rs. in lakhs) ...	33.95	61.15	82.59	67.99
6. Processing charging (Rs. in lakhs)	8.07	13.54	17.02	12.52
7. Profits (Rs. in lakhs) ...	2.80	5.91	6.69	4.39
8. Bonus paid to Societies (Rs. lakhs)	0.72	1.10	1.36	0.99

Other Activities relating to Dairy Development

• The other activities undertaken by the union are as follows :—

(a) Four tractors and one bull-dozer have been purchased by the union for the purpose of deep-ploughing and levelling of lands of members and letting them on hire to members of affiliated societies.

(b) Pasture lands have been taken over, cleared off shrubs and put under improved grasses, wherever possible.

(c) Competitions have been organized among the affiliated societies for showing best work and five prizes varying from

Rs. 1,000 to Rs. 5,000 are awarded to the first five societies, on the results of the assessment of their work in regard to the increase in milk production, rise in the fat-percentage of the milk, good management of cattle and pursuit of other dairy development activities.

(d) A number of experiments have been undertaken by the union in the matter of putting up of silo-towers, common milking sheds, common manure pits and artificial insemination of dairy animals and research work carried out to reduce losses arising from sour milk by bacteriological tests on the efficiency of washing of milk cans and also in evolving a standard technique for determining the bacteriological quality of buffalo-milk.

(e) The union also undertakes the distribution of cotton seed to its affiliated societies. The total turnover of business amounted to Rs. 298,000.

Government Assistance

For the purpose of supervision and guidance of existing societies and of organization of new ones, the State Government has placed at the disposal of the union free services of an Organizer and three Sub-Auditors. Since the year 1951, the Government of Bombay have been granting an annual subsidy of Rs. 3 lakhs in the Civil Supplies Department for promoting the Dairy Development Scheme. This amount of annual subsidy is required to be spent on the following schemes which are in operation in the Anand area :—

- (1) Installation of pumping sets.
- (2) Construction of cattle sheds.
- (3) Mechanical cultivation.
- (4) Quality control technique.
- (5) Construction of silo-towers.
- (6) Construction of centralized milking sheds.
- (7) Construction of buildings at milk-collecting centres.
- (8) Scheme of artificial insemination.
- (9) Distribution of prizes among the affiliated societies referred to above.
- (10) General Research work in dairying.

Problems of the Union and its future lines of development

Fluctuations in demand and supply of milk are a common feature of any scheme of milk production. It has already been mentioned that the quantity of milk produced in winter is double that of the quantity produced in summer. The State Government requires a fixed quantity of milk to be supplied daily throughout the year. Thus during the flush season the Union is unable to absorb all the surplus milk offered to it and is obliged to close down by rotation, all the societies for nearly a period of 15 days in a month. This naturally puts the farmers in a very unfavourable position. The real solution to the problem, therefore, lies in the conversion of the surplus milk into products like ghee, butter, casein, condensed milk, milk powder, sterilized cream, spray-dried skim milk powder and baby foods which could be preserved for some time. This would enable the Union to guarantee the collection of all the surplus milk produced by the farmers throughout the year. Thus it would be necessary to establish a large Milk Products Section and thus the Union contemplates setting up a new dairy factory with the object of converting the surplus milk into various by-products mentioned above. The new dairy project is designed to handle three lakhs lbs. of milk per day, out of which nearly 50 per cent can be converted into milk products. If the project materialises, and becomes successful, the dairy is expected to handle milk worth Rs. 2 crores a year and to produce milk products valued at Rs. 1 crore a year. During a brief span of its existence, the quantity of milk handled by the Union has increased from 500 lbs. to over 1 lakh lbs. and the number of affiliated societies has grown to 64, and the number of farmer-members has risen from 900 to over 18,000. Similarly, the assets of the Union have increased from Rs. 40,000 to nearly Rs. 22 lakhs. Looking to the progress so far made, the Union feels assured of success of the new adventure. The new Dairy Project is expected to cost about Rs. 40 lakhs and would be ready before the close of the year 1955. Towards this cost, about Rs. 20 lakhs would be provided by the Union. The Bombay Government has agreed to provide another Rs. 10 lakhs by way of a loan. The United Nations Children's Fund (the UNCF) is providing equipment worth Rs. 8 lakhs to the Union. The Government of New Zealand is

also giving a gift equipment worth Rs. 2,75,000/- under the Columbo Plan for the new Factory. This is the first time in India that the manufacture of various by-products of milk is undertaken and that too by a co-operative concern. India imports annually dairy products worth about 5 crores and the new Dairy Project would go a great way in reducing the dependence of the country on foreign imports of by-products of milk and thus saving of foreign exchange would be effected. It may be noted, however, that the project involves considerable financial and technical risk and that is why the Union is receiving technical assistance from the F.A.O. of the United Nations, the Government of New Zealand, the Indian Council of Agricultural Research, the Indian Dairy Research Institute, the Central Food Technological Institute and the Institute of Agriculture at Anand. The Union is a very fine example of a co-operative concern implementing its plans on a very large scale and deserves emulation elsewhere.

Co-operative Marketing of Perishable Products—Fruits and Vegetables in Bombay State

It is common knowledge that the nature of the horticultural industry makes it amenable to exploitation by the middlemen. The uncertainty of the quality and quantity of the yield and the perishable nature of the produce due to climatic conditions serve to rob the fruit-grower of any resisting capacity and he is forced to part with his produce to the middlemen for ready cash at low prices. The majority are small growers and their lack of knowledge of the latest scientific processes, coupled with their conservatism and want of approach to ensure markets, affects adversely their business and economic progress. Co-operation has been tried with great success in foreign countries like U.S.A. in order to solve the difficulty of the fruit grower. Many growers have realized that their produce faces competition from well-graded and packed fruits handled by companies having the necessary financial resources to incur the heavy outlay for undertaking modern methods of production. Further, they have also realized the necessity to combine together with a view to pooling their resources if they were to obtain all the advantages of a large-scale organization. That is how co-operative fruit-growers' societies have come to be established all over the world. Large co-operatives in foreign countries such as the California Fruit-Growers' Exchange

of world-fame undertake all types of activity from production to marketing which include, inter alia, assembling, grading, packing, loading, transporting, freezing, drying and processing. They also provide services such as supply of agricultural requisites to their members and grant financial accommodation, whenever needed. In contrast with this, co-operative effort in this country in the sphere of fruit and vegetable marketing had made insignificant progress and in a few States like Bombay, Madras, Madhya Pradesh and Orissa, growers have established co-operative societies for the sale of fruit and vegetables. But the services provided by these societies are mostly restricted to the selling of the growers' produce and to supplying to some extent the agricultural requisites and financial accommodation, though the objects of such societies as provided in their bye-laws are quite comprehensive. Such facilities as cold storage, processing, packing, grading or transport are practically unknown.

2. The second largest group of single-commodity societies in some of the States is that which relates to the marketing of fruit and vegetables. Co-operative marketing of fruit and vegetables has also made satisfactory progress in the Bombay State. There are certain tracts which are well developed in regard to the cultivation of certain varieties of fruits and vegetables and the trade in these perishable products is largely in the hands of middlemen who purchase the standing crops in the garden of cultivators and sell them in consuming centres. A number of mal-practices are in evidence, leaving to the growers a surplus hardly sufficient for their maintenance. A few fruit-growers of Waghod in the Raver Taluka in the East Khandesh District started a Co-operative Sale Society in the year 1931 for the sale of citrus and banana fruits to their best advantage. The society functioned more as a credit society for the purpose of making loans and advances for the cultivation of fruit than for its sale. The disposal of fruit was actually left to be handled by a Firm consisting of a few members who took upon themselves the risks implicit in the business. In 1932 two Mango Sale Societies were established in the Ratnagiri District, which is noted for growing Alfonso mangoes. This was followed in the year 1933 by the establishment of a Gardeners' Society in Belgaum for the disposal of all types of vegetables grown around Belgaum. From these small beginnings, consider-

able progress in starting co-operatives for the sale of fruit and vegetables has been recorded, particularly in the Khandesh District for the sale of bananas and mosambis. Similar progress has also been made in starting co-operatives for the sale of vegetables particularly in the district of Surat and Ahmedabad in Gujarat. During the Second World War, co-operatives for the sale of vegetables received considerable help at the hands of the Military authorities, as they functioned as their Chief Agency to supply vegetables and potatoes. The assistance rendered by the State Agricultural Department in the matter of providing select seeds and control of pests etc. was invaluable, and the Department of Agriculture acted also as a liaison between the societies and the Military authorities. Similarly, the fruit sale societies received sympathetic treatment at the hands of the Railway authorities who made available to them the necessary number of wagons for transport of fruit to consuming centres. Among the societies of this group, the Surat and East Khandesh Societies, as already mentioned, did considerable business in plantains. The Puna-Kumbharia and the Sardar Bagayatdars' Societies in Surat District handled plantains worth Rs. 40 lakhs. The eleven Plantain Societies of East Khandesh District marketed about 25 per cent of the total produce of the district. Similarly, in Ahmedabad District the Fruit and Vegetable Societies handled produce worth more than Rs. 15 lakhs and the Potato-growers' Association about 86% of the total production of potatoes in the District. The Potato-growers' Association which was registered in the year 1942 deserves special mention. It had a paid-up share capital, reserve and other funds to the extent of Rs. 22,140 and Rs. 71,775 respectively at the end of 1953-54. It made advances to the potato-growers to the extent of Rs. 4.05 lakhs and sold 2,23,324 maunds of potatoes valued at Rs. 9.47 lakhs. There were at the end of the year 1954 47 fruit and vegetable growers' sale organizations in the State, having a total membership of 13,854 consisting of 13,838 individual members and 16 societies. Their paid-up shares capital amounted to Rs. 6.25 lakhs and Reserve and other Funds to Rs. 1,488 lakhs. Their working capital was Rs. 38.22 lakhs and the total volume of business handled amounted to Rs. 9,464 lakhs, the total commission earned being Rs. 3 lakhs. The net profits earned by the societies amounted to Rs. 66,900.

3. **Spices and Condiments Sale Societies.** The third type of single-commodity societies in the State is that which relates to the sale of spices and condiments. There were two sale societies in this category, having 2,097 as individual members and 39 societies. Their paid-up share capital stood at Rs. 1.37 lakhs, reserve and other funds amounted to Rs. 66,000/-. Their total working capital was Rs. 6.76 lakhs. The value of stocks sold as owner aggregated Rs. 48.27 lakhs and the commission earned being Rs. 45,000. The net profits made by these societies amounted to Rs. 43,000/-.

4. There was only one Chilly Sale Society with 602 as individual members and 96 member-societies. It had at the end of 1954 a paid-up share capital and deposits to the extent of Rs. 11,719 and Rs. 39,927 respectively. Reserve and other funds amounted to Rs. 68,333. The value of stock sold as agent aggregated Rs. 5,17,018/-, the commission earned being Rs. 7,202/-. The Society earned a net profit of Rs. 2,596/-.

5. **Taluka Purchase and Sale Societies.** In accordance with the plan for improvement and development of agricultural marketing in the State, Purchase and sale Societies and Unions have been established at various minor and major market centres with an area extending over a taluka. These organizations are intended to handle all kinds of agricultural produce including foodgrains coming to the market. Past experience of the working of co-operative sale organizations in the State has shown that a co-operative marketing society operating in an area restricted to a group of villages encounters many difficulties in the matter finding an adequate volume of business to make it self-supporting and getting suitable trained personnel. It is with a view to removing these handicaps that purchase and sale societies and unions have been established for an area covering a taluka. Where the taluka headquarters form the principal primary market, only one principal primary marketing society is established. This marketing co-operative is linked up with primary co-operative thrift and credit or multi-purpose societies which would collect the produce of their members and pass it on to the marketing society for sale. In the place in which a taluka marketing co-operative functions, there will also be put up a warehouse in which the primary credit and thrift or multi-purpose societies assembling the produce of

their members would deposit it and get the warehouse receipt from the Society functioning as licensed warehouseman under the Bombay Warehouses Act, 1947. These receipts would be an easily realizable security for the financial accommodation made by the Banking system or by co-operatives. The Taluka Marketing Co-operative would have full facilities for the grading, processing and pooling of the agricultural produce deposited in the warehouse with the conversion of its godowns into a licensed warehouse.

(1) **Objects of a Taluka Purchase and Sale Society :** The main object is to encourage a member to grow pure and high class agricultural produce and to market it under the best possible conditions and to obtain for its members pure seed, agricultural, domestic and other requirements on the indent system.

The Society can undertake any other activities to further its main objects.

(2) **Membership :** Membership is open to individuals who reside within the area of operation of a society which is usually co-terminus with a taluka and to a co-operative society situated within the jurisdiction of the society.

(3) **Share Capital :** Each member is required to pay an entrance fee of Re. 1 and subscribe to one share at least. The face value of a share is fixed at Rs. 5 which is to be paid fully on allotment. The liability of a member is limited to the balance, if any, unpaid in the share or shares held by him.

(4) **Capital :** Capital is raised by obtaining shares, deposits from members and non-members or a loan from a central financing agency.

(5) **General Body :** Each affiliated society is entitled to send one representative to the general body. Individual members and the representatives of the societies form the general body of the Society.

(6) **Management :** The management of the society is entrusted to a managing committee of not less than 7 and not more than 9 persons of whom 5 are required to be representatives of member-societies. No member who is in unauthorized arrears to

any co-operative society is eligible for being elected as an office-bearer of the society. The committee elects its own chairman from among themselves for its period of office. The committee meets as often as it considers necessary for transacting the business of the society. One of the important duties of the committee is to prepare a list of trustworthy brokers or merchants through whom or to whom the produce may be disposed of whenever the society has to take the risk of granting trade credit and to fix limits up to which such credit may be granted. The managing committee is competent to frame subsidiary rules for the conduct of the business of the society with the approval of the general meeting and the Assistant Registrar, C. S. The managing committee may appoint a sub-committee for sanction of loans subject to subsequent ratification by the committee.

(7) Loans : The society normally supplies seed, barden and gunnies to any of its societies and individual members who are not members of agricultural credit societies on credit repayable at the next harvest and the maximum rate of interest permitted to be charged on such loans is $9\frac{3}{8}$ per cent. Similarly, individual members residing in villages situated within a radius of 5 miles from the headquarters of the sale society and having no agricultural credit societies are eligible for cash loans for raising crops. Such loans are usually advanced as and when required. The maximum amount which a member can borrow will not be permitted to exceed Rs. 200 on the condition that the produce raised shall be sold through the sale society and the loan returned out of the proceeds. In case of failure to abide of this condition a member renders himself liable to pay a penalty of Rs. 25 at the discretion of the managing committee. Such punishment is rarely inflicted. The loan is usually granted against the security of one or more solvent sureties and the maximum rate of interest permitted to be charged is $9\frac{3}{8}$ per cent. It is competent to a sale society to make loans also on the security of produce or goods and such loans are usually made on the following terms :—

(i) An advance up to 75 per cent of the market price of the produce or goods pledged with the society is granted to a member. If the margin contracts owing to the fall in price or any other reason the society calls upon the member to make good the difference up to the margin required. If the member fails to make

good the short-fall in the margin the society sells the goods at the cost and risk of the member concerned.

(ii) Before an advance is made the produce is required to be deposited in a godown or building approved by the society and insured at reasonable market rates and protected against theft at the cost of the member.

(iii) The period of the advance is usually restricted to a maximum period of 6 months and a renewal for a further period of 6 months being allowed on such terms and conditions as the committee thinks fit.

(iv) The rate of interest charged on produce-pledge loans varies from 6-1/4 per cent to 9-3/8 per cent.

(v) The society protects itself by stipulating that it is not responsible for any damage or deterioration of the goods but takes care to see that the goods are stored in such a way as not to make them liable to deterioration.

(vi) The society has a right to appropriate either in whole or in part the amount received on account of the sale of the produce towards the repayment of the loan and other charges due from the borrower. Every member is required to execute an agreement incorporating the above conditions or any other conditions approved by the managing committee.

(8) Method of doing business : The society usually arranges for the sale of produce brought to it either by private treaty or by public auction. In case goods are sold by private treaty the buyer is not entitled to delivery of goods until full payment is made and if the buyer fails to take delivery within 7 days of sale the sale is cancelled and the buyer becomes liable for damages. Agricultural produce offered for auction sale is graded according to its quality and goods meant for sale by auction are required to be brought to the premises of the society or the auction site at least three days prior to the day fixed for auction. Gradation lists of agricultural produce are published one day before the auction is held by putting them on a prominent place within the precincts of the society. If any seller is dissatisfied with the grading of his produce he can withdraw it from the auction by requesting the manager in that behalf. Goods stored in the pre-

cincts of the society are insured at the cost of the seller and the society takes no risks for uninsured goods lying in its premises. The managing committee of the society draws up a list of trustworthy buyers who are allowed to bid at the auctions. The buyers are required to deposit with the society one-fourth of the price of the goods bought by them immediately after the auction and if they fail to do so the bargain is cancelled and the society is entitled to claim damages from them. Every buyer has to take delivery of the goods purchased by him within 7 days after the auction and goods are not delivered until full payment is made but the managing committee can at its discretion relax these rules in deserving cases. The Society usually frees itself from any responsibility for damage to goods purchased after 24 hours after the auction. Further, a buyer has to take delivery of the goods purchased within 7 days and on his failure to do so it is open to the managing committee to treat the sale as cancelled and to forfeit the advance money paid and to claim damages as well. Once the sale is effected, whether by private treaty or by auction, no complaints regarding, gradation, weightment and price are heard and in case any auction sale proves abortive owing to unavoidable circumstances the society stipulates that it would not be responsible for any loss or damage that may be caused to the vessels. Further, it is open to the managing committee whether to accept or reject the bids if the prices offered are not reasonable.

(9) Branches: The society may open a branch or branches at suitable centre or centres within its jurisdiction with the approval of the General Meeting and the sanction of the Assistant Registrar of the Division. The branch business is conducted by an advisory committee nominated by the managing committee of the head office subject to the rules framed by it and approved by the general meeting and the Assistant Registrar. Three members from the area of the branch nominated by the managing Committee constitute an advisory committee. The duties of such an advisory committee are to recommend crop loans, to individual members who are not members of the local agricultural co-operative credit society residing within the radius of 5 miles from the headquarters of the branch office subject to the same conditions as govern the grant of loans made by the head office.

(10) The following statistics indicate the progress made by the Taluka purchase and Sale Societies and Unions at the end of the year 1953-54 :—

1) No. of Societies.	...	...	...	...	...	...	181
2) Membership.							
(a) Individuals	...	...	...	...	...	...	82,330
(b) Societies.	...	...	...	...	...	...	4,683
3) Paid-up Share Capital (<i>in lakhs</i>)	...	...	...	...	...	...	41.84
4) Deposits. (<i>in lakhs</i>)	...	...	...	...	...	...	36.81
5) Other borrowings.	...	...	...	...	...	...	85.55
6) Reserve and other Funds	do	...	...	...	...	...	84.92
7) Working Capital	do	...	...	...	...	...	242.89
8) Value of Stock sold :							
(a) As Owner.	do	...	...	...	...	...	384.65
(b) As Agents.	do	...	...	...	...	...	398.77
9) Commission earned.	do	...	...	...	...	...	8.88
10) Profit.	do	...	...	...	...	...	4.87
11) Loss.	do	...	...	...	...	...	4.51

(11) The following paragraphs give a brief account of a few main activities undertaken by some of the important co-operative purchase and sale institutions in different districts in the Bombay State at the close of the co-operative year 1954 :—

Poona District

The Poona District Co-operative Purchase and Sale Union, Ltd. :—It had a membership of 172 individuals and 274 societies. Its share capital stood at Rs. 43,200/- and the working capital, reserve and other funds amounted to Rs. 6.35 lakhs and Rs. 3.96 lakhs respectively. The total turnover of business amounted to Rs. 15.40 lakhs. It supplied seed-potatoes to potato-growers in the district by importing the same from Himachal Pradesh. During the last year, 68,000 maunds of seed-potatoes were purchased at Simla. It also undertakes to sell potatoes on an agency business.

Satara District

The Karad Co-operative Purchase and Sale Society has got two Branches one at Umbraj and the other at Chiplun. It had a total membership of 1812 and its share capital, reserve and other funds amounted to Rs. 36,870/- and Rs. 1,02,937/- respectively. The Society sells daily groundnut, jaggery, turmeric

and chillies. It is also working as a wholesale agent for the distribution of cement and iron in the North Satara District and has opened depots also at Lonand and Kopergaon. It has secured the licence to conduct a public bonded warehouse for tobacco at Karad and it is also working as a licensed warehouseman under the Bombay Warehouses Act, 1947. The total value of agricultural produce handled by the Society amounted to Rs. 14.82 lakhs on which a commission of Rs. 22,418 was earned.

Ahmednagar District

The Kopergaon Co-operative Purchase and Sale Society in Ahmednagar District is another marketing co-operative, which had a successful career. During the year 1953-54 it had a membership of 1,063. Its share capital, reserve and other funds stood at Rs. 64,170/- and Rs. 2,89,547/-. It made advances against the security of gur to the extent of Rs. 44.50 lakhs and effected sales of agricultural produce to the extent of Rs. 50.29 lakhs.

Kolhapur District

One of the very successfully managed and biggest marketing co-operatives in the Bombay State is the Shetkari Sahakari Sangh, Ltd., under the chairmanship of Shri Benadikar, M.L.C., Shri Tattysaheb Mohite is another guiding spirit who is piloting the affairs of the society. The Society had a membership of 3,270 individuals and 240 societies. Its share capital stood at Rs. 2.57 lakhs and reserve and other funds amounted to Rs. 3.40 lakhs. Its total working capital amounted to Rs. 12 lakhs at the close of the co-operative year 1953-54. It sold agricultural produce worth Rs. 21.82 lakhs and earned a commission of Rs. 38,700. There are no marketing co-operatives specifically organized for marketing gur but the Purchase and Sale Unions undertake to sell gur in addition to agricultural products. Taking a bird's eye-view of the working of the Taluka Purchase and Sale Societies, it may be stated that barring co-operative cotton sale societies and fruit sale societies, the Co-operative Purchase and Sale Societies handling gur are the largest group, and a few of them are working very successfully. The Kolhapur Shetkari Sangh, the Nira Canals Purchase and Sale Society at Baramati, the Warna Valley,

the Ganapati Lasalgaon, and Satana Co-operative Purchase and Sale Societies belong to this category.

General Observations

As against this picture, it has to be recorded that some of the co-operative marketing societies in the State have not been doing the work expected of them. The total value of sales effected by them is insignificant and the total value of sales of all the marketing co-operatives is estimated to reach 9 crores as against the marketing surplus of about Rs. 175 crores. Some of the societies handled only produce below 5% of the total value of produce sold in the markets. Apart from their insignificant role, a further disquieting feature of the co-operative marketing movement in the State is that a definite trend has set in towards deterioration. Misappropriation of funds and mismanagement of affairs were the causes leading to the downfall of a few societies.

District Purchase and Sale Unions

The planned development of co-operative marketing in the Bombay State visualized the establishment of a Marketing Society at each principal primary market in a taluka. But it was found that in a number of places such societies could not be started. In order to cover the areas which remained untapped, and to have an integrated marketing structure, District Purchase and Sale Unions were established in two districts at the district headquarters. Such District Purchase and Sale Societies have opened branches in taluka places or centres where it has not been feasible to start independent Taluka Purchase and Sale Unions. If the Taluka Purchase and Sale Unions had been affiliated to the District Purchase and Sale Unions, and the latter in their turn, to the State Marketing Society, the Bombay State would have had an organic marketing structure. But unfortunately such a well-knit marketing structure does not exist in the State. It may be noted that the District Purchase and Sale Unions have also a vital role to play in the co-operative marketing structure of the State. Agriculturists require better seed, manure, iron and improved implements for scientific production and these can be supplied to the members of primary agricultural credit societies and purchase and sale unions in the districts more cheaply by district

purchase and sale union, as it can pool indents and make bulk purchases through the State Marketing Society or independently of it, whenever possible. Further, agriculturists require a number of other domestic articles than those purely required for agricultural production. Such consumer goods can also be handled by a District Purchase Sale Union more economically, as it is in a position to frame a proper estimate of the requirements of agriculturists-producers who are in the co-operative fold. In order to prevent, however, overlapping of functions, of different types of co-operative institutions, a definite demarcation of activities would be necessary. These organizations, it may be noted, were ushered into existence during the war-time mainly for the purpose of undertaking distribution activities and with decontrol and abolition of the system of rationing of food and other articles, most of them are reported to have ceased to work and a few of them are even in a state of suspended animation. Revitalization of these organizations is called for if they are to operate as District Co-operative Marketing Federations in the new co-operative marketing structure that is visualized.

There were 12 District Purchase and Sale Unions in the State. Statistics relating to their operations during a period of two years ending 30th June 1955 are given in the sub-joined statement :—

Particulars	1953-54	1954-55
1. No. of District Purchase and Sale Union	12	12
2. No. of Branches	80	41
3. No. of members		
(a) Individuals	14,679	16,920
(b) Societies	1,217	1,315
4. Paid up Share Capital (in lakhs of Rs.)	8.45	8.05
(a) Reserve and other Funds (in lakhs)	22.45	24.28
(b) Working Capital (in lakhs) ...	57.61	59.50
5. Value of goods purchased (in lakhs of Rs.)		
(i) As Owners (in lakhs) ...	118.43	122.86
(ii) As Agents (in lakhs) ...	37.05	29.40
6. Value of goods sold		
(i) As Owners (in lakhs) ...	122.51	130.35
(ii) As Agents (in lakhs) ...	63.03	66.63
7. Commission earned (in lakhs) ...	4.32	3.76
8. Loans issued during the Year		
(i) Against general assets (in lakhs)	6.22	5.70
(ii) Against pledge of goods (in lakhs)	27.64	21.24

Federation of Purchase and Sale Societies

There have been a number of marketing co-operatives and multipurpose societies established in the Bombay State. They have already been doing valuable work and the pace of development of their activities in various directions is likely to increase considerably in the future. In view of this, therefore, the need for the establishment of a machinery for internal supervision over these types of co-operative organizations was so clearly established that it was found necessary to organize a District Supply and Sale Federation as a plank in the programme of planned development of co-operative marketing in the State. So far, such 12 Federations have been established in the State.

2. The main objects of such a federation are (i) to supervise, assist, rectify, develop, advise and co-ordinate the work of affiliated societies ; (ii) to act as liaison agency between the affiliated societies and the Bombay Provincial Co-operative Marketing Society ; (a) to carry on propaganda for the adoption of improved methods of cultivation and grading of agricultural produce and to arrange to supply good seeds, manure and implements to affiliated societies without incurring any financial responsibility, and (b) to arrange for the reliable and up-to-date market news ; (iii) to organize special types of societies with a view to secure allround progress of the movement in its area of operation ; (iv) to arrange for the supply of stationery, books, and forms required by the affiliated societies on indent basis, without undertaking any financial liability ; (v) to arrange for the internal audit of affiliated societies ; (vi) to arrange, when necessary, for the holding of conferences and meetings of affiliated societies and co-operators for discussion and exchange of views ; and (vii) to undertake such work as is most conducive to the efficient working of affiliated societies.

3. Membership : Membership of the federation is open to (i) sale, sale and purchase societies, working within the area of operation of the federation, (ii) multi-purpose societies with a turnover of over Rs. 25,000 as on 30th June of the preceding co-operative year.

4. Funds : Funds of the federation are raised (i) by entrance fees at the following rates.

- (a) Multi-purpose societies Rs. 5
 (b) Sale societies, purchase and sale unions ... Rs. 10

(ii) By subscriptions from affiliated societies at the rate of one anna per cent on the turnover at the close of the co-operative year preceding, subject to a minimum of Rs. 50 and a maximum of Rs. 300. Depots or branches are charged separately. (iii) By donations and other voluntary contributions. (iv) By commission earned on the supply of forms, stationery and books and receipts from the sale of literature. (v) By grants from the financing agencies and Government. (vi) By temporary loans not exceeding in amount the total items Nos. (ii) and (iii).

5. General Body : Each affiliated society will be entitled to send one delegate to the general meeting. Each delegate shall have one vote. Representatives of societies form the general body of the federation.

6. Management : The management of the federation is entrusted to a managing committee constituted as under :—

- (1) The Assistant Registrar, Co-operative Societies (ex-officio).
- (2) The Marketing Inspector (ex-officio).
- (3) One nominee of the financing agency working in the area.
- (4) One representative of multi-purpose societies if their number does not exceed 5.

Two representatives if their number exceeds 5 but not 10.

— Three representatives if their number exceeds 10.

- (5) Two representatives of purchase and sale unions if their number does not exceed 5.

Three representatives if their number exceeds 5 but not 10.

Four representatives if their number exceeds 10.

- (6) One co-opted member at the discretion of the committee.

Thus the committee constituted as above, comprises not less than 7 and not more than 11 persons on it and a defaulter in any society is disqualified from being elected on the federation or from continuing on it. The committee elects its own chairman from amongst themselves for the period of its office and meets at least once a month for the conduct of the business of the federation. The duties of the committee are similar to those of the committee

of a supervising union except in regard to one matter, viz. the conduct of audit of affiliated societies. The federation arranges for the internal audit of its affiliated societies every six months through a firm of professional auditors or a B.Com. or a G.D.C.A. and each affiliated society is required to pay audit fees according to a scale fixed by the Registrar, Co-operative Societies, Bombay State, Poona.

7. Functions : The main function of a federation is the efficient and regular supervision of affiliated societies and their branches in the matter of accounts, general management and modern business methods by the employment of a competent supervisor or supervisors with the approval of the Registrar or through the Joint-Secretary as the Registrar may direct.

The following statement shows the operations of federations of sale and multi-purpose societies in the State for a period of two years ending 30th June, 1955.

	1953-54	1954-55
1. No. of Federations (out of which 2 are in liquidation).	10	10
2. No. of affiliated societies	192	191
3. Funds Borrowed	Rs. 1,109	Rs. 156
4. Reserve and other Funds	Rs. 26,712	Rs. 34,861
5. Working Capital	Rs. 27,821	Rs. 35,017
6. Surplus	Rs. 6,704	Rs. 18,774
7. Deficit	Rs. 3,051	Rs. 2,545
8. No. of Supervisory staff employed	17	11

Importance of Processing as a Marketing Function

What processing means in regard to different products has been already set forth in an earlier chapter of this book. Processing of agricultural products and cattle is almost as common as packaging of goods in U.S.A. and other Western countries. The farmer sells cattle, grain, hides and cotton and the consumer buys meat, bread, shoes and clothing. Between the time the products leave the farm and the time they reach the ultimate consumer, the cattle must have to be converted into steaks, grain into flour, hides into leather and cotton into yarn and garments. Each of these processes must have to be left to others than farmers and consumers, except where the farmers themselves can under-

take, through their co-operative associations, processing activities as in the case of ghee-sale societies in Uttar Pradesh or preparation of sugar or products of milk in the Bombay State. Processing, it may be noted, is an important marketing function, and is at present almost the monopoly of private capitalists or Firms or Corporations. The entrepreneurs in this field reap good dividends on their investments in processing enterprises. Where the private capitalists own or control these enterprises, the cultivator gets an unfair deal at their hands especially when the produce which he sells is to be processed and transported for sale to a distant terminal or consuming market. If the individual cultivator or farmer is to get a fairer share of the final price paid by the consumer, it can be only through organized action on his part by co-operative effort. The processing by marketing societies would, therefore, help to reduce the number of these middlemen and ensure a greater return to the producer.

(a) *Advantages of Processing.* Processing leads to economical marketing. In the first place, economy is secured by the conversion of raw materials into finished products. That is to say, the consumer must have his flour or bread, as he cannot manage to purchase a whole bag of wheat. Secondly, processing makes possible the conservation of the surplus during the flush season for use during the rest of the year. Processing is thus necessary to provide the consumers with the kinds of foods or clothing when and where wanted, and to stabilize markets for the agriculturists. As processing can be done cheaper, when a large volume is handled, it is normally undertaken by middlemen. As the aim of co-operative marketing societies is to undertake as many functions of the middleman as they profitably can, processing becomes an important function which a marketing co-operative must undertake if it is to put on the market, the goods that are required at the right time and the right place and in the form wanted by the consumer, e.g., creameries of Denmark.

(b) *Organization of Processing Societies.* Processing societies normally require a large amount of initial capital to be invested in fixed assets such as lands, buildings, godowns, plant and machinery and other equipment. If a processing society is to work successfully, it is necessary to have a large membership of cultivators

who have realized the benefits of co-operative effort in the marketing of their produce, and who are convinced that the processing enterprise will certainly add to their income. Again, the cultivators who are members of a processing society should be further prepared to provide a sufficient volume of raw material to keep the society going for the full working season according to the nature of the undertaking. Lastly, as processing involves grading and pooling of produce, the cultivators must be willing to grade and pool their produce. It may be noted that the size of a processing co-operative would necessarily depend on the custom that is assured to it and the prospects of its expansion in the near future. The initial capital required for it should preferably be in the form of paid-up share capital, and experience has shown that in such enterprises State partnership in the provision of capital would be most helpful. The location of the factory is an important point to be considered when organizing the processing co-operative. Good road communications, proximity to the railway station and market centres would be essential. If the various conditions mentioned above are forthcoming or fulfilled, it may be stated that a processing society has fair prospects of successful working.

(c) *Co-operative Ginning and Processing Societies.* A common form of processing activities organized on co-operative basis is to be found in societies established for ginning and pressing of cotton. Individual farmers and in cases where pressing is also undertaken, co-operative ginning societies and cotton co-operatives are also admitted to the membership of such societies. The management of such a society is entrusted to the managing committee annually elected at the General Meeting. When co-operative societies are also members, a certain number of seats on the Board of Management varying with their number is reserved for them and the rest are elected by individual shareholders. Some societies provide for a seat on the Board for a nominee of the Co-operative Department and the Central Financing Agency of the District. Provision is also made for a Board of Control or a Control Committee consisting of 3 to 5 members. Representatives of the Co-operative Department and the Central Financing Agency have also their seats on the Board of Control. Such a Committee of Control generally attends

to the Audit Rectification Report of the Society, and takes care to see that any resolution passed by the Managing Committee is not contrary to the provisions of the Act, the Rules and Bye-laws of the Society, and if any resolution does so contravene the Committee of Control has power to suspend it.

Funds of such societies are raised in the normal way and some societies have provision in their bye-laws to raise the necessary capital by the issue of debentures.

There were, at the close of the co-operative year 1954, 16 co-operative societies in the Bombay State undertaking the processing of cotton. Though the first Co-operative Ginning and Pressing Society was registered in Gadag, District Dharwar, in the year 1920, it has not expanded its business to the extent expected of it owing to lack of proper support from the Gadag Co-operative Cotton Sale Society, Ltd. Recently, one more processing society at Annigeri in the same district has been registered but it has not yet started the work. Thus the progress of societies undertaking the processing of cotton in Karnatak has not been encouraging. In Gujarat, there were 13 Co-operative Cotton Ginning and Pressing Societies, of which 5 were in Surat District, 4 in Broach District, 3 in Baroda District and 1 in Ahmedabad District. They had a membership of 8892 individuals and 92 societies with a working capital of Rs. 55.31 lakhs. They made a net profit of Rs. 5.21 lakhs. The quantity of cotton ginned by these societies amounted to 10.26 lakhs Bengal maunds, during the year 1954. In Maharashtra, there were no independent societies undertaking the ginning and pressing of cotton. The Kolhapur Shetki Sahakari Sangh, Ltd., has installed an oil mill for the crushing of groundnut. Recently, the Shahada Co-operative Purchase and Sale Society has purchased a ginning factory. Similarly, the Mhaswad and Nandra Societies in East Khandesh District have also undertaken the ginning of cotton. In Maharashtra a pioneering and outstanding co-operative processing enterprise is found in the organization of the Bagayatdars' Co-operative Sugar Producers' Society at Loni in Ahmednagar District. It has recently changed its name to the Pravaranagar Sahakari Sakhar Karkhana, Ltd. and its working, deserves special mention, and the following paragraphs are, therefore, de-

voted to a brief description of its early history, financial condition, constitution and working.

VIII. The Pravaranagar Sahakari Sakhar Karkhana at Loni, District Ahmednagar

Sugar industry—the second largest industry in India next to cotton textiles—was given protection by the Government of India in the year 1932, but this protection was withdrawn with effect from 1st April 1950. As already mentioned elsewhere, there were 134 sugar factories in India in the year 1953-54. They crushed 1.25 crore tons of sugar-cane producing 12 lakh tons of sugar. The total area under sugar-cane was 41.01 lakh acres and production of sugar-cane in tons amounted to 5.25 crores. The cane crushed was only 25.1 per cent of the total cane produced. About one crore tons of sugar-cane were utilized for purposes like Khandsari, chewing and seeds, while 3 crore tons of sugar-cane were utilized in making gur. The average yield of cane per acre was 14.70 tons. The yield of sugar was roughly 37.95 maunds, the net percentage of recovery being 9.50. Bombay produced only 10% of the total production of sugar in India, the total quantity being 1,22,600 tons. In the Bombay state the total area under sugar-cane is estimated at 1,50,000 acres. Of these 56,000 acres are under canal irrigation, while the remaining 94,000 are under other sources of irrigation like wells, rivers, nallas etc.; of the 56,000 acres under canal irrigation, half the area is utilized for production of sugar. According to the Report of the Indian Tariff Board, Bombay and Madras States afford the best scope for the future expansion of the sugar industry. Sugar-cane from 42,000 acres is normally utilized for purposes of seed, khandsari and chewing, while a small area out of 94 acres under wells, nallas, and pazars etc. is utilized for production of sugar. An important feature of soils in Deccan Canal areas and other districts in the State is that the production of sugar-cane per acre is comparatively much larger than that obtaining in other cane-growing areas like U.P. and Bihar. Moreover, the sucrose content of sugar-cane grown in the Bombay State is also much larger, compared to that of the rest of India at 11.51 per cent as against the average of 9.97% for the whole of India. That is how the sugar factories in the Bombay State stand first both in the matter of payment of

dividends and making of profits. In the year 1953-54 the number of sugar factories in the Bombay State was 15, and on an average, they crushed cane for 118 days. The total cane crushed by these factories was 10.57 lakh tons while the production of sugar amounted to 1.39 lakh tons. The recovery percentage was 11.51 even though the consumption of sugar *per capita* for the country as a whole was 11 lbs., it was 16.3 lbs. in the Bombay State. To remove uncertainty in the minds of factory-owners, the Government of Bombay has recently fixed the maximum price of sugar-cane at Rs. 43 per ton.

Historical Background of the Sugar Factory at Loni

Before the canals were constructed, the region in which the Society is situated was entirely dependent on monsoon rains and it was a region of large holdings. Dry farming system of cereals and oil-seeds was in vogue and was subject to periodical failures of monsoon. The construction of canals in the area led to a transformation in the conditions of agricultural production. The local peasantry had neither the knowledge nor the resources to bring about this transformation. The beginnings of sugar-cane farming had, therefore, to be made by immigrant agriculturists from neighbouring districts acquainted with irrigated farming. The special concession offered by Government coincided with the grant of protection to the sugar industry and this entirely changed the course of economic development of the region. The local peasantry had suffered in the past from violent fluctuations in the prices of gur, and they were convinced that the co-operative sugar factory would assure to them a continuous market for the sugar-cane they grew at an even level of prices from year to year. This was also essential for making the fullest use of the irrigation facilities the tract enjoyed. Another reason that led to the establishment of a Co-operative Sugar Factory in the area was that the peasantry hoped that it would result in obtaining an extension of area under canal irrigation and concessions in irrigation rules similar to those enjoyed by other sugar factories. In this respect, however, they were later greatly disappointed. In 1947, the leading cultivators of the region who had immense faith in the potentialities of the co-operative movement held discussions with the officers of the Bombay State Co-operative Bank and

formulated a tentative scheme, and began to collect deposits towards share capital. A sum of nearly Rs. two lakhs was collected in a short time but much progress could not be made without the registration of the Society. The Society was registered in March 1948 and the Factory is now known as the Pravaranagar Sahakari Sakhar Karkhana, Ltd. The Society is a combination of farming and processing of cane into sugar organized as a large-scale industry.

(a) *Objects.* The main objects of the Society as provided in the bye-laws of the Society are:—

(i) To develop agricultural industry on co-operative lines by introducing improved methods in agriculture and promoting co-operative and joint farming methods with a view to obtaining advantages of modern large-scale agricultural production to the owners and tenant-cultivators of land, and for that purpose acquire on sale or lease or otherwise, land for cultivation of sugar-cane and other crops and for erection of machinery and buildings.

(ii) To establish and manage a sugar factory and for that purpose to do all things such as purchase of site, construction and leasing of buildings, godowns, and means of transport, purchase and erection of machinery and equipment.

(iii) To purchase sugar-cane, jaggery and other raw materials and requirements from members and non-members and grow sugar-cane for the manufacture of sugar.

(iv) To contract with co-operative societies and other persons for the purchase and sale of goods, to appoint agents, paid or on commission, for such purchase and sale.

(v) To raise funds for the purpose by way of shares, deposits, debentures and loans and to make advances to members on the security of sugar-cane or sugar produced therefrom.

(b) *Membership.*—Membership is of two classes, viz., A and B. 'A' class membership is restricted to growers of not less than one acre of sugar-cane in the jurisdiction of the Society, who enter into a binding contract with the Society to carry out the plan, the programme and methods of cultivation as directed

by the Management or by a person authorized by it in that behalf and to sell their sugar-cane of the required standard at the price fixed by the Board. These members are designated as 'producer-members'. Co-operative Societies are also eligible for membership. Ordinary or sympathising members are those who do not grow cane but could participate in the capital of the Society. They come under category B.

(c) *Area of Operation.*—The region in which the Society is located is the region under the command of the Pravara Canal system. The area of operation of the Factory has been defined as a number of contiguous villages—39 in number watered by the distributories of the Pravara Right and Left Bank Canals. The Factory in extreme cases is as far as ten miles away from the sugar-cane fields of members. The bulk of the sugar-cane crop of the members falls within four miles of the Factory.

(d) *How funds are raised.*—The total authorized share capital of the Society is Rs. 25,00,000/- divided into 5,000 shares of Rs. 500 each. The maximum limit of individual holding is fixed at Rs. 10,000/-, which could be increased to Rs. 15,000/- with the permission of Government. Of the total amount of share capital, shares of the value of Rs. 10 lakhs are reserved for producer-members. The shares convey a cumulative preferential right to 3% dividend exercisable not later than 10 years immediately succeeding the year of deficit. The Government of Bombay has contributed a sum of Rs. 6 lakhs to the share capital of the Society. Special redeemable preference shares which are to be redeemed out of Capital Reserve Fund are to be issued for the purpose. A long-term loan of Rs. 20 lakhs was granted to the Society by the Industrial Finance Corporation. At all stages, the support of the Bombay State Co-operative Bank has proved to be of the utmost value. It was the chief source of supply of funds and whenever the Society was in need of funds in its initial stages, the State Co-operative Bank came to its help by making temporary advances. An important provision made in the bye-laws of the Society is the obligation imposed on the members for making compulsory deposits with the Society in order to increase its capital resources. This provision of compulsory deposits is essential, as the amounts could later be converted into share cap-

ital, to be contributed by producer-members, with reference to the acreage of sugar-cane grown or the tonnage of sugar-cane supplied by them.

(e) *Board of Directors.*—The first Board of Management was nominated by the Registrar of Co-operative Societies, Bombay, in consultation with the promoters and the Central Financing Agency to hold office for three years, and thereafter the Board consisting of not less than 13 and not more than 17 persons is to be constituted as under:—

(i) Six are elected by 'A' class members and two by 'B' class members (of whom one is to be a representative of co-operative societies). The Registrar, Co-operative Societies, and the Central Financing Agency appoints a nominee each who is co-opted by the Board. In addition, the State Government and the Industrial Finance Corporation, each have the right to nominate two Directors until contribution to the share capital made by the one and the loans granted by the other are not repaid in full. The Managing Director appointed by the Board in consultation with the Registrar and the Central Financing Agency has a seat on the Board as an *ex-officio* director. The Board elects its own chairman. The appointment of the Managing Director is subject to the approval of the State Government, so long as its contribution to the share capital of the Society is not repaid in full. One-third of the Directors elected by the 'A' class members and both the representatives of 'B' class members retire every year and their seats are filled by election at the General Meeting in accordance with the election rules. The Board annually elects Chairman and a Vice-Chairman from among themselves who also function as Chairman and Vice-Chairman of the Society. It may be noted that bye-laws lay down a minimum qualification of the holding of 15 shares before a person could be elected as a Director on behalf of the producer-members. There is, however, a suggestion for reducing this qualification to ten shares and a proposal is also made to keep a small number of seats open to all without any qualification. It is gratifying to note in this connection that the present representatives of the producer-members on the Board who hold 15 shares or above are adhering to the policy originally laid down that the society should be essentially one representing small producers

rather than be the concern of a small number of the privileged into which it can easily degenerate.

(f) *Powers of the Board.*—One of the most important powers exercised by the Board is to fix the purchase-price of cane. It is not possible to lay down explicit instructions regarding the manner in which the Board of Management should determine the price. A maximum limit can no doubt be laid down, but the fixation of ceiling price is also not an easy matter, because the price fixed must not be, on the one hand, so high as to be inoperative and not so low, on the other, as to be unduly restrictive or harsh in its operation. For example, a maximum limit of Rs. 30 per ton of sugar-cane—a limit that was considered to be reasonable when the original draft bye-laws were made—proved impracticable later. This shows that a maximum expressed in fixed money amounts is not likely to be of use in times of fluctuating price levels. The maximum limit can, therefore, be best expressed as a relation between the price per maund obtained for its sugar by the factory and the price per maund to be paid by it for its cane-supply. This relationship is technically known as the 'Sisma' formula. In cases where nominees of Government and/or of the Industrial Finance Corporation are opposed to any resolution of the Board, they can go in appeal against the resolution to the State Government whose decision would be final and binding on the Board. The Board has also the power to appoint a Manager in consultation with the Registrar of Co-operative Societies.

(g) *The Executive Committee.*—The Chairman, two other nominees of the Board, and a representative each of the Co-operative Department and the Central Financing Agency constitute the Executive Committee. Appointment of technical and other staff, purchase of agricultural requisites and other stores for the society are among its important duties. The Executive Committee may delegate its powers in this respect either to the Managing Director or Manager or any other officer.

(h) *Co-operative Farming Activities and the supply of Sugar-cane to the Factory.*—An important aspect of the working of a co-operative organization like a sugar factory is the role it plays in co-operative farming and other allied activities. From

the outset it has been recognized that in cases where the individual farmers do not get crop finance, it would be essential for the Society to provide such finance in the form of manures and fertilizers. This sort of finance requires proper supervision and full utilization. The next step would be the need for increasing efficiency and development of resources in the case of small producers having less than three or five acres. With the refusal of the Bombay Government to entertain applications of small cultivators in this region for irrigation facilities, the Co-operative Sugar Factory had to depend on the vast bulk of its sugar-cane, on water-supply obtained from wells rather than from canals. For this purpose the factory has set apart from its profits a sum of Rs. 60,000/- to form an 'Agricultural Development Fund'. An investigation was also undertaken in regard to all those farmers within its jurisdiction who had not been able to grow in the past any cane or grow it in adequate quantities. As a result of this investigation it was decided to utilize money in the Development Fund in granting long-term loans to the neediest members for digging wells or for the installation of engines. Under the Bye-laws of the Society, members are required to plan their agricultural production activities and dispose of all agricultural produce in accordance with the directions of the Board of Management. These powers are only partially exercised at present, because the first step is to finance the raising of the crop adequately and next step is to bring about an improvement in the methods of cultivation and the quality and volume of produce. Steps have, therefore, been taken to procure good sugar-cane sets of standard varieties, so that with the multiplication of seed distributed among the prominent members, all the area under sugar-cane cultivated by members would be planted with tested, uniform sets of a standard variety. The regular working of the Factory for the longest optimum season requires a steady supply of sugar-cane of given quantities throughout the whole period. Planning of this means necessarily a general overall plan of sugar-cane planting within which the activities of individual members should fit. Ultimately, a complete plan of sugar-cane planting may require directions regarding the utilization of all the lands of the cultivators. For this purpose the Society has the power to grow sugar-cane and incur the necessary expenditure for the purpose if any member of the Society fails to do it according to the

Cultivation Programme of the Society. The expenditure so incurred is set off against the price of cane payable to the member and balance, if any, received from him with interest, as if it were a loan due from him. During 1953-54 the Society advanced a sum of Rs. 6.36 lakhs as loans to its members.

(i) *Progress of the Society.*—The progress of the Society for a period of four years ending 30th June 1953-54 is given in the following table:—

Particulars	1950-51	1951-52	1952-53	1953-54
1. No. of Members (A class)	477	515	537	551
(b) Sympathizing members	13	13 indi-	20	23
(B) Class)		visuals.	(18 Co-pos.	
			(5 individuals)	
2. Paid-up Share Capital (in lakhs)	12.41	15.24	15.79	16.10
3. Reserve Fund (in lakhs)	not avail-	1.95	n.a.	2.61
	label.			
4. Members' sugar-cane in acres	766	1143	1568	1565
5. Tons of sugar-cane processed	32479	48052	57722	70883
6. Average per acre.	42.0	42.0	37.0	45.29
7. Percentage recovery of sugar.	11.49	10.86	10.79	11.49
8. No. of average working days for the Factory.	134	173	157	167

Note—(1) The Society has invested about Rs. 92.07 lakhs in machinery, plant, buildings and other assets from its funds as well as from the funds obtained from the Industrial Finance Corporation of India and the Bombay State Co-operative Bank.

Note—(2) The quality of sugar produced is of 28D type which is considered to be of a superior quality.

(j) *Other Welfare Activities.*—Along with the economic activities the Society is also engaged in promoting the social welfare of its members and of the members of its staff. A primary school and high school have been set up for the benefit of the children of the members and local agriculturists. Four chawls of four room tenements and five chawls of three-room tenements have also been constructed as residential quarters for the use of its staff. Other activities relate to the supply of diesel oil engines, crude and diesel oil for the engines, supply of water, electricity,

construction of bathrooms and latrines, erection of a flour mill, opening of a fuel depot and a canteen and provision of a playing ground. It has also arranged for the services of an Allopathic doctor and an Ayurvedic Vaidya at its cost and has also appointed a number of servants for the maintenance of cleanliness in the factory area. It has also organized a social club for the use of its members and members of the staff. The Bombay State Co-operative Bank has opened a Branch at Pravaranagar, while the Postal authorities have opened a Branch Post Office in one of the buildings constructed by the Society. A documentary film showing the various activities undertaken by the Society has been taken and released at all theatres in India with effect from 18th December 1953 for the information of the Public. The Society's income during the year 1953-54 was about 93.84 lakhs while the expenditure was about 90.40 lakhs and net profit earned was 3.38 lakhs. Thus it was in a position to provide the amenities out of its surplus profits as detailed above. The Society has been fortunate in having had as one of its Directors an eminent economist and a veteran co-operator in the person of Prof. D. R. Gadgil, who has been its Chairman for a number of years in the past. The outstanding success of the Society may be attributed in a great measure to his association with the Society. The working of the Pravaranagar Sahakari Sakhar Karkhana furnishes an apt example of the success of co-operative effort in the field of large-scale industrial production and is bound to be a source of inspiration to co-operators elsewhere.

Part II

Co-operative Sugar Factories in India

Enough has been said about the working of Cane-growers' Co-operatives and the importance of the sugar industry in a previous chapter. It is now proposed to deal with the establishment of Co-operative Sugar Factories and the problems presented by them. Out of the total number of 137 sugar factories working in the country only 3 factories are working on co-operative lines. The success of the 2 sugar factories, one in Bombay and another at Andhra has encouraged co-operators all over the country to make similar experiments. The Bombay experiment has demons-

trated the efficacy of the application of the co-operative method to this industry which has been so far a virtual monopoly of private capitalists. Under the co-operative method of management the sugar industry can yield better results than in the private sector provided proper technical guidance and adequate financial help were made available to it. Now that the Government of India have decided to give permission to the setting up of 35 Co-operative Sugar Factories distributed all over the country, the industry is sure to receive a fresh stimulus and viewed from the stand-point of making the units a success the problems presented by them are now being studied not only by the Government but also by the co-operative workers in the field. With a view to studying their problems at close quarters and to laying down certain broad principles and points for guidance in regard to their organisation, management and working the first seminar of Co-operative Sugar Factories was held under the auspices of the Ministry of Food and Agriculture at Pravaranagar, Bombay State from 14 to 18th April 1956 and the decisions or conclusions reached thereat regarding various matters concerning the co-operative sugar factories are discussed below:—

(1) Licensing Policy: No sugar factory can be established without first obtaining the licence under the Industries, Development and Regulation Act 1951. Before a licence is granted the Licensing Committee of the Government of India has to satisfy itself about various factors such as the adequacy of the sugar-cane in the area where the factory is proposed to be established, the availability of the rail and road facilities, ready accessibility to raw material and other supplies required and water supply. All these points are duly considered by the Committee before coming to the conclusion that the scheme is a sound one and requires to be approved by the grant of a licence.

(1) The policy of the Government of India regarding the issue of licenses for sugar factories was considered by the seminar and the present practice of obtaining the recommendations of the State Government before the issue of licences was regarded as appropriate in view of the fact that the State Government was in the best position to consider all aspects of the matter including the possibility of promoting a co-operative venture. In this connection, the question of reserving the entire field of ex-

pansion in the sugar industry for co-operative concerns was also discussed ; in principle this was implied in the recommendations of the Rural Credit Survey Report which have been accepted by the Government. In practice there may be cases, where, owing to difficulties of establishing co-operative enterprise, licences to private parties may have to be granted either in the matter of establishing new units or making additions to existing plants. However, in all such cases, the State Government should satisfy itself that no sugar co-operatives can in the near future be set up in the area. In no case should a licence be refused to a sugar co-operative because of the demand for or the possibility of the expansion of a private factory.

(2) Collection of Block Capital : Under the present arrangements cultivators and the Government have together to find 40% of the Block Capital. Of this it was felt that Rs. 10/- lakhs was about the maximum which could be collected from the agriculturists before the commencement of the factory. It was in practice found very difficult in some States to raise even this amount from the farmers who were members and who had small holdings. So far as Government contribution was concerned, this was in most States limited to an amount equal to the subscription of members subject to a maximum of 10 lakhs ; In this context it was considered that while the principle that the share capital should be raised from the savings of the cultivator-members as far as possible should be adhered to, the following facilities should be made available if sugar factories are to raise the Block Capital necessary.

- (i) Other rural co-operatives should be permitted to invest in the shares.
- (ii) Wherever necessary the State Government's share of contribution may be suitably enhanced to provide the requisite borrowing power.
- (iii) Financial assistance should be given in exceptional cases and special areas to small cultivators for the purpose of purchase of shares by means of medium-term loans from co-operative banks, which in turn should be assisted by the Reserve Bank of India. Cultivators other than small farmers should also be considered eligible to

such assistance if the amount of the share capital to be contributed by cultivators exceeded Rs. 10/- lakhs or in special circumstances.

A note of caution was registered in that the under-estimate of the requirements of the Block Capital made in the past should be guarded against in future.

(3) Borrowings from the Industrial Finance Corporation : As soon as the licence is granted and the requisite capital is collected from the cultivator members and the State Government an application is made to the I.F.C. (Industrial Finance Corporation) for grant of a loan. Generally an amount varying from Rs. 40 to 50 lakhs limited to 60% of the cost of land, building and machinery of a factory is given by the I.F.C. on the joint guarantee of the Central and the State Government, if I.F.C. is satisfied that the factory in question is in a position to make proper arrangements for its management both on administrative and technical side. With the share capital and the loan from the I.F.C. it is possible for the co-operative to set up the factory up to the stage of production. Thereafter a certain amount of working capital would be needed for the purchase of sugar-cane, crushing and other recurring charges such as wages and salaries of staff. This would in the ordinary course be provided either by the State Bank or the State Co-operative Bank or by both. The present policy of the I.F.C. for making finance was discussed by the seminar and it was noted that whatever may be the procedure for the disbursement of loan, the I.F.C. was prepared to grant loan up to 60% of the value of the block capital. This was considered to be satisfactory ; while appreciating the helpful attitude of the Corporation so far in this matter it was considered that there should be no hesitation on the part of the Corporation in sanctioning long-term loans on the ground that it has already invested a large amount in the sugar industry. Once it was accepted that all industrial expansion specially in the co-operative sector is a part of the planned economy, the corporation should be prepared to act up to its full responsibility for financing among others co-operative sugar factories so long as this development proceeded according to the plan and the co-operatives satisfied normal tests laid down by Government and the Corporation. It was felt that in the absence of alternative means of raising capital, the refusal

on the part of the I.F.C. to finance a sugar co-operative would amount in effect to a veto on its establishment.

(4) Provision of Working Capital : Substantial amounts going up to Rs. 20/- lakhs would be required by a co-operative sugar factory by way of working capital though the total financial outlay would be in the neighbourhood of one crore of rupees. It was important, therefore, that adequate arrangements for the supply of working capital should be planned for, together with the plan for the establishment of factories. In practice, where, in Bombay, a financially strong and sympathetic apex co-operative bank was available the problem may not present difficulties. The normal practice would be to obtain limited clean credit to meet preliminary requirements and then to obtain additional accommodation on the pledge or hypothecation of stocks of sugar, other materials, stores, etc. As very large amounts may be required for the purpose, the Reserve Bank of India should make the required funds available to the apex co-operative banks through its Bill Scheme or on terms analogous to it. In this connection it should be made possible for the apex co-operative bank to pass on the credit obtained from the Reserve Bank to the factories on the basis of a low margin. It was, however, necessary to note that, while this would happen where strong apex bank is in existence and where the demands on it were only from one or two factories, when the number of factories to be financed is increased and if, in the States in which the apex co-operative bank was not sufficiently strong the State Bank of India should be asked to provide the same facilities and terms to sugar co-operatives as afforded at present, for example by the Bombay State Co-operative Bank.

(5) Essential Supplies : The position with regard to the supply of essential materials such as cement and coal and facilities for establishment of railway sidings was next discussed by the seminar. It was noted that considerable difficulties were being experienced owing to procedural problems delays, lack of information, lack of co-ordination, etc. by the new factories. While it was recognized that the attitude of the Government of India was sympathetic towards the new factories, it was felt in view of the infant position of co-operative enterprise an especially sympathetic approach to these problems was needed. It was also

felt that in the co-operation division of the Ministry of Food and Agriculture a special unit should be set up to devote undivided attention to the problems and requirements of co-operative sugar factories ; this unit might on the one hand, supply timely information and advice to the factories and on the other hand, serve as an effective agency for representing to the various ministries concerned, the difficulties of co-operative sugar factories on their behalf ; the co-operatives on their side should while dealing in regard to each commodity required, with the concerned authority, keep the co-operative division of the Ministry of Food and Agriculture informed of the position so as to enable it to take up their cases and render the necessary assistance.

(6) Organisational and Managerial Aspects of a Co-operative Sugar Factory : The constitution and the rules framed for its work will assist greatly in the solution of the problems of organisation and management of a fairly integrated and large sized co-operative sugar factory. Still, however, it would be desirable to prescribe and follow certain principles in determining membership of co-operative sugar factories. In areas where there are a small number of large individual producers and a very large number of diminutive sugar-cane holdings it may be desirable to have individual cane cultivators as well as smaller cane-growers societies as members of the co-operative sugar factory ; further in certain areas it may be equally desirable to provide for the membership of rural co-operative societies and some outstanding honest individuals within certain limits who are not growers of cane. The inclusion of non-growers may be necessary to provide for local leadership and local guidance and to arouse local enthusiasm in the conduct of the affairs of the factory. In case the membership of a sugar factory is largely drawn from a class of numerous farmers with small holdings a system of delegation or representation may have to be introduced. The Board of Management of a co-operative sugar factory may have to be constituted in such a manner that it will mainly represent cane-growers who are small cultivators. In view of the fact that the State Government has a considerable stake both financial and otherwise in the successful organisation and promotion of sugar industry on co-operative lines it may seek adequate representation on the Board of Directors and to retain certain powers of

review and revision and issue of appropriate instructions in regard to matters of public policy and interest. But the State Government would be well advised in its own interest to have friendly attitude towards the factory influenced by a desire to set the co-operative on its own legs and to correct it only if and when it goes wrong. Thus it may not be necessary to have nominees of the State on the Board of Management for an unduly long period or to have an unnecessarily large number of State nominees on the Board. With regard to the question of membership and the constitution of a co-operative sugar factories two points received the attention of the seminar.

- (i) should the membership be confined to individual cane-growers or should it be open to other individuals and co-operative societies ?
- (ii) if the large majority of members were individuals and the membership extended to a very large number how should the general body be constituted ?

The consensus of opinion of the seminar was that these problems are best resolved in accordance with local conditions ; where, in an area there existed side by side, a small number of large individual producers and very large number of diminutive sugarcane holdings it would be necessary to have both individuals and cane-growers' societies as members of the producers' class ; even in areas where the membership of the producers' class could be confined only to individuals it is desirable to provide for non-producer membership of co-operative societies and some individual growers in the area of operation of the factory within certain limits. As regards the constitution of the General Body it was considered that wherever membership was large on account of small holdings and area of operation wide, a system of delegation would have to be introduced.

(7) Loyalty of Members : Considering the past experience of the existing co-operative sugar factories, it was noted that the loyalty of members depended largely on the assistance given and service rendered by the factory to the members and on the efficient organisation built up by the factory, with regard to the supervision of the programme of cultivation. In this connection it was felt that the number of producer-members should be so

restricted as to enable the factory to utilise the entire production, it was considered that too much reliance should not be placed on penalties for ensuring members' loyalty.

(8) Constitution of the Board of Directors : The Board of Directors should be so constituted that there should be adequate representation for the cane-growers of whom a substantial number should consist of the representatives of small growers. Representation should, of course, be provided for the Government, the Industrial Finance Corporation and the Central Financing Agencies closely connected with the co-operative. While Government should have certain reserve powers of review and if necessary of issuing instructions, with regard to matters of public policy and interest, there should be adequate provision for producer members of the co-operative being trained to bear ultimately the full responsibility for the day-to-day working of the society. From this point of view the practice of the Board of Directors being entirely nominated by the State Government for a long period of time was considered not desirable.

(9) Technical Problems : It may be noted that a co-operative sugar factory has to take proper care in the selection of machinery and other equipment. The specifications may be drawn by Technical Experts in collaboration with the Institute of Sugar Technology at Kanpur or some such other technical agency and the proper type, design, pattern, and capacity of the machinery may have to be determined. One of the factories in Bombay is reported to have experienced certain difficulties in the initial stages although it had ordered an up-to-date plant. In order to meet this situation a federation of the representatives of new sugar factories has been brought into existence and it is provided with adequate technical guidance with a view to drawing up specifications of the plant, inviting tenders and placing orders. This has resulted in combined buying with benefits accruing from bulk purchases and relatively lower prices and rationalisation. Further all the required technical assistance and guidance is made available to one body by the various Government agencies ; a similar body is being set up in the State of Madras as well ; if in any area more than one factory are going to be set up the arrangements as in Bombay and Madras will be found to be helpful. The representatives of the Indian Institute of Sugar Tech-

nology dealt with the technical aspects of the erection and operation of a sugar factory at the seminar. It was noted that on any specific problem of a technical nature the help of the institute would be readily forthcoming to any co-operative sugar factory.

(10) Selection of Personnel in a Co-operative Sugar Factory : A sugar co-operative requires large personnel both technical and administrative as well as industrial and agricultural labour in running it. In view of the large expansion of sugar industry visualised in the Second Five Year Plan there is bound to be a greater demand for properly qualified and experienced persons. Selection has, therefore, to be made with great care after giving the requirements of a factory wide publicity offering attractive terms and selecting proper personnel with the help of technical experts wherever necessary.

(11) Labour, Management Relationship: It is desirable that conditions of work for the technical and other staff should be more congenial than the factories owned by private capitalists. Cordial relations should be maintained between the technical officers and other employees of the factory and the producer-members as well as other shareholders and Directors. Since the two groups of staff come from two different strata—rural and urban—efforts may be made to keep them together and to ensure smooth working and full co-operation. It was considered desirable by the seminar that arrangements should be made to enable the workers to become shareholders and to have some representation on the Board of Management with a view to ensuring that the point of view of workers having a stake in the success of the concern was fully appreciated. This, however, should not detract from the workers being able to use their trade union for purposes of representation and negotiations with management.

(12) Problem of Marketing of Sugar : Establishment of sugar factories in different parts of the country will lead to a decentralisation of sugar industry which would go a great way in correcting the mal-adjustment of supply to demand in some parts of the country. Most of the States will have a factory and this would result in the producer of cane reaping the benefits of processing his raw material through his own co-operative organisation and it would also lead to a decrease in the strain on the railway

system. The sugar factories would be well advised to undertake the marketing of sugar through an apex marketing co-operative organisation with a view to ensuring a fair price for the sugar produced and also to safeguarding the interests of the consumer as well. It is also desirable that sugar be sold through the co-operative consumers' organisations in urban areas where they exist or through the consumers' branch of a multipurpose co-operative or a large sized rural co-operative in the rural areas. In order to ensure the success of a factory it is also necessary that its bye-laws and rules governing the conduct of affairs should be drawn up with great care avoiding all ambiguity. Another point of importance to be remembered is the selection of proper site for the factory. As the factories themselves may have to undertake in some cases the work of harvesting and cutting the sugar cane and transporting it to the factory, it would be necessary to ensure that the bulk of sugar cane is concentrated within a radius of 4 to 5 miles of the factory site. In selecting the site it should be seen that the railway station is close to the factory and the road communication should also be good.

Part III

Co-operative Sugar Factories and the Private Sugar Manufacturers

Under the caption Co-operation in Sugar making and larger State participation envisaged, the Commerce, Bombay in its issue dated the 28th April, 1956, contains the following observations:

“When the Government first decided to encourage the establishment of sugar factories, on a co-operative basis some of the mill owners feared that this was a beginning of State entry into the field of sugar through the back door. The main reasons for this fear were the provision by the State of the major portion of the capital required by the sugar co-operatives and the possibility of favourable treatment being extended to the co-operatives in the matter of taxation as well as supply of transport and water. Subsequent developments have shown that the mill owner's misgivings were not unwarranted. The latest developments, serve only to confirm them.

It will be recalled that licenses for setting up a number of sugar units have already been granted and the Second Five Year Plan provides for starting 35 more co-operative units. The Governments—Central and State—have also been giving active support and encouragement to the establishment of such units by contributing to their share capital. Out of the total financial outlay in a co-operative sugar mill as much as 85 per cent is provided by the Governments as contributions to block capital and loans from the Industrial Finance Corporation of India—a body which is completely under the control of the Centre. In reality, therefore, the co-operative sugar mills are as good as state units. Apart from issuing licenses and giving considerable financial assistance the authorities have also been taking direct steps to foster the development of co-operation in sugar manufacture. The first all India seminar of co-operative sugar factories organized recently by the Union Food and Agriculture Ministry at Pravara-nagar in Ahmednagar district is an instance in point. The seminar was presided over by Prof. Gadgil—one of the architects of Neo-Co-operation conceived by the Rural Credit Survey Committee of the Reserve Bank of India and meekly accepted by all co-operators. One of the cardinal principles of Neo-Co-operation is that the State should co-operate in capital and Board of Directors of co-operatives by subscribing to the major portion of the capital and placing its nominees on the Board. This principle runs contrary to all accepted fundamentals of co-operation throughout the democratic world. The deliberations at the seminar and the conclusions arrived at give rise to apprehension of a greater incursion of the State into the field of sugar manufacture through the co-operative movement if the various recommendations were to be accepted and implemented ; the new sugar factories would be co-operative units only in name. For all practical purposes they would be full-fledged State enterprises. As one of the leading sugar industrialists has rightly remarked highly technical processing by producers of raw material has so far not proved a successful field for the application of co-operative principles especially in this country of small cultivators. The co-operative method is good and fruitful only in so far as it spontaneously grows from within but it has a poor chance of success when forced from above, on comparatively ignorant people who are not equipped for running complicated

technical organisations. It is indeed unfortunate that this aspect was conveniently overlooked by Prof. Gadgil in his anxiety to stress the role of sugar co-operatives in ushering in an era of co-operative commonwealth. In his speech Prof. Gadgil observed "of all co-operative enterprises particularly sugar factories alone cover a large sector of community item. Sugar co-operatives cover both industry and agriculture and they have the promise of leading up to a society based on the concept of co-operative commonwealth. If the experiment of sugar co-operatives becomes a success then the idea will spread to large sections of industry and may eventually cover the entire field. Thus India can show to the rest of the world that a scheme of economic organisation based on co-operation as opposed to competition can succeed. "These observations of Prof. Gadgil are highly emotional and not based on hard facts. If past experience is any guide, co-operatives in India have not proved themselves equal to the burden they were expected to shoulder notwithstanding the very favourable climate for their growth. It is true that as one of the authors of the Rural Credit Survey Report, Prof. Gadgil knows full well the defects of the co-operative movement as it has existed all along and it is with a view to overcoming these defects he has advocated State participation in the movement. Our submission is that even this remedy for reforming the movement and for giving new life to it has little chance of success, and even if it does with the State dominating the co-operatives, what the country will ultimately have is State capitalism and its evils and not co-operative commonwealth as Prof. Gadgil hopes".

Similarly the private sector appears to be worried over the Government's decision to encourage the farmers who are cane-growers for organising the processing activity on a co-operative basis. At the recent annual convention of the Deccan Sugar Technologists Association of India the spokesman of the private sugar manufacturers expressed the fear that Government funds would be wasted on co-operatives when they were badly needed for the Second Five Year Plan on the ground that the first sugar factory prospered because of certain favourable factors and that the second had failed miserably. The policy of the Government of Bombay in reserving the new units for the co-operative sector, and its readiness to participate in the share capital of these sugar

co-operatives has led to an unfair agitation against the policy of Government and a bogery of 'Co-operation without caution' has been raised in a Section of the Press as already mentioned above. To judge from the most recent developments it is apparent that the private sugar factories in the Deccan have intensified their agitation against sugar co-operatives, by trying to squeeze the cane-growers in the Deccan. Some of the projected sugar co-operatives are not in a position to get their equipment in time because of the international situation and knowing this, the private units, it is reported have decided not to buy the cane of the farmers, who are supporting their organisation, unless they undertake to sell the cane to the private manufacturers for five years. These developments are not healthy and indicate as to how the private manufacturers are anxious to entrench their position by unfair means, having so far enjoyed a monopolistic position through conversion of the agriculturist into a landless labourer and exploiting the cane-grower. The fears underlying their agitation that the co-operative sector would soon eclipse the private sector in the field of sugar manufacture with the financial assistance of the State made available to it and state participation in their affairs is groundless as co-operators believe in fair competition and principle of co-existence in order to secure proper economic balance between different sectors of economy. If the private manufacturers resort to unfair means in running down the sugar co-operatives the co-operative sector will ultimately emerge the more successful as the history of the co-operative movement in Sweden has demonstrated in the past. It may be noted that the co-operative sugar factory represents the efforts of the people in rural areas to create a new socio-economic structure of society in which opportunities will be afforded to all to rise to the height of their ability. In building up a sound base for the co-operative structure initial difficulties are inevitable and will be overcome if the co-operators have faith in co-operative principles and act up to them. In this effort of the co-operatives, Governments will whole heartedly co-operate with them and the role of the State would only be that of a friend, Philosopher and guide, inspired solely with a view to setting the co-operatives on their own legs.

It is not correct to say that the co-operatives will be mere State enterprises because co-operatives have failed in the past inspite of favourable climate for their growth. The circumstances in which the co-operatives in this country could achieve limited success have been fully set forth in the Rural Credit Survey Report which need not be recounted here. The recent successful experiment of integrated approach to the co-operative problems in Bombay with particular reference to the reorganisation of the Bombay State Co-operative Bank with the State as a partner, is a definite pointer as to how co-operatives can succeed if favourable climate is created. If the co-operatives, do not deviate from their principles and nurse the co-operative spirit they can face all impediments with courage and confidence fortified as they would be in their resolve to usher in a new area of prosperity to themselves and the country.

The latest position of the Pravaranagar Sahakari Sakhar Karhana Ltd. (as on 30th June 1956) is given below:—

30th June 1956

(A)

(1) No. of members :—

(a) A Class (producer members)	...	...	...	Rs. 942
(b) Ordinary members including Societies	...	...	...	21
(c) Nominal members (Contributors)	...	...	...	24
(2) Paid up share capital (in lakhs)	...	...	...	Rs. 23.63
(3) Statutory Reserve Fund (in lakhs)	...	...	...	Rs. 4.57
(4) Deposits to be credited to Share capital (in lakhs)	...	...	...	Rs. 8.88
(5) Deposits from producer-members (in lakhs)	...	...	...	Rs. 17.01
(6) Borrowings :—				
(a) Industrial Finance Corporation	...	...	...	Rs. 12.25
(b) Bombay State Co-operative Bank	...	...	...	Rs. 96.59
(7) Other funds (in lakhs)	...	...	...	Rs. 35.50
(8) Miscellaneous Deposits (in lakhs)	...	...	...	Rs. 1.23
(9) Miscellaneous Liabilities (in lakhs)	...	...	...	Rs. 4.69
(10) Net Profit (in lakhs)	...	...	...	Rs. 2.99
(11) Value of Land and Buildings (in lakhs)	...	...	...	Rs. 19.84
(12) Plant and Machinery (in lakhs)	...	...	...	Rs. 121.88
(13) Stores and Spare Parts (in lakhs)	...	...	...	Rs. 8.42
(14) Value of Electric fittings, Scale and Weight, Dead Stock, and Furniture, Tools and other equipment and Implements				
(in lakhs)	...	...	...	Rs. 2.78
(15) Value of Closing Stock of sugar (in lakhs)	...	...	...	Rs. 80.18
(16) Loan outstandings against farmers (in lakhs)	...	...	...	Rs. 7.22
(17) Other outstandings (in lakhs)	...	...	...	Rs. 2.29
(18) Miscellaneous advances (in lakhs)	...	...	...	Rs. 5.91
(19) Deposit with Government for Excise Duty (in lakhs)	...	...	...	Rs. 0.71

(B) *Area under cane and output :*

The following statement shows the total area under cane for crushing and total production of cane and average outturn per acre and price of cane per ton for the last 5 years.

	1951-52	1952-53	1953-54	1954-55	1955-56
(1) Area under cane	1,143	1,568	1,565	1,787	2,650
(2) Total output of cane (in tons)	48,052	57,722	70,883	84,085	1,22,663
(3) Average Production per acre (in tons)	42.0	37.0	45.29	48.0	46.0
(4) Price per ton of cane in Rs.	42-4-0	39-0-0	50-4-0	49-4-0	42-0-0
Bonus	2-0-0	1-4-0	1-0-0	1-0-0	Yet to be declared
Total	44-4-0	40-4-0	51-4-0	50-4-0	42-0-0

(C) The following is a statement showing the number of working days, the number of days available for crushing cane, sugar-cane of members/non-members crushed, total number of bags of sugar produced and percentage of recovery for past 5 years.

	1951-52	1952-53	1953-54	1954-55	1955-56
(1) No. of working days	173	157	167	193	206
(2) No. of days on which cane crushed	149	131	142	166	180
(3) Members' cane crushed (in tons)	48,052	57,722	70,883	84,085	1,22,663
(4) Non-members cane crushed (in tons)	16,653	2,588	215	445	14,148
(5) Total number of tons of cane crushed	64,705	60,310	71,098	84,530	1,36,811
(6) Total Sugar Production (in bags)	69,526	80,994	64,362	92,531	1,37,828
(7) Recovery percentage	10.86	11.49	10.79	11.06	10.0

Part IV

Federation of Sugar Factories in the Bombay State

In order to guide, assist, supervise, co-ordinate the activities of the affiliated sugar factories and to introduce uniformity in

their policy and methods of work, a Federation of Co-operative Sugar Factories was registered in the Bombay State on 11-2-1956. It commenced work on 28-2-1956. At the close of the co-operative year 1956, 14 sugar factories in the districts of Nagar, Poona and Kolhapur and other districts were affiliated to it. Statements showing the financial position and other details relating to the working of the affiliated factories are given at the end.

2. The name of the Federation is Mumbai Rajya Sahakari Sakhar Karkhana Sangh, Ltd. (Bombay State Sugar Factories Federation, Ltd.), and its headquarters are situated at 2,420, East Street, Poona. The objects of the Federation as set out in its bye-laws are :—

(1) To advise and help in the promotion and organization of Co-operative Sugar Factories by cultivators of sugarcane in the Bombay State.

(2) To advise or render technical and other assistance in the selection and purchase of machinery, spare parts, tools and other equipment, appointment of higher and technical staff and in the matter of cultivation and transport of sugar-cane and location of factory site.

(3) To undertake or arrange to purchase in bulk on indent basis or otherwise, chemicals, gunny bags, fuel and any other requirements of the Factories and to arrange for the sale of sugar or its products.

(4) To undertake or arrange for the bulk utilization of by-products of Member-Factories.

(5) To supervise the working of the Factories generally and advise regarding their work.

(6) To help Member-Factories to procure financial accommodation from Government, the Industrial Finance Corporation, the State or Central Co-operative Banks or from any other financing agency.

(7) To represent Factories at organizations (permanent or *ad hoc*) and to present on their behalf their views to Government or any other institution.

(8) To provide servicing and workshop and other facilities for spare parts required by the Factory.

(9) To undertake publication of and to supply market and other information relating to sugar industry.

(10) To advise Member-Factories regarding methods of sugarcane cultivation and to conduct research in it.

(11) To conduct research in problems of various kind affecting or arising out of working of member-factories and/or their producer-members.

(12) Generally to take up such other activities as are conducive and incidental to the efficient working of the member-factories in order to obtain the above objectives and to further the common interests of member-factories.

(13) To arrange for supply of stationery, books, forms, furnitures etc., required by the affiliated factories on indent basis without incurring any liability for losses in these operations.

2. *Membership.*—Membership of the Federation is open to co-operative sugar factories registered under the Bombay Co-operative Societies Act, (VII of 1925). Each member-factory is required to pay to the Federation an annual subscription on the basis of tonnage of sugarcane crushed in its factories at such scale and on such basis as may be fixed from time to time. In addition, it is also required to pay special contribution for a specific purpose determined by the Federation from time to time. Until a member-factory goes into production, it is called upon to contribute a minimum annual subscription of Rs. 500/-. In addition to the annual and special subscriptions an affiliated factory has to pay an entrance fee of Rs. 100/- and to contribute to the share capital of the Federation in order to enable the latter to undertake activities of common interest such as opening of a Central Workshop or a Sugarcane Research Farm.

3. *Liability of Members.*—The liability of an affiliated factory is limited to subscription remaining unpaid, if any and to the balance unpaid on shares subscribed.

4. *Funds*.—Capital of the Federation is raised by :—

- (1) Entrance fees.
- (2) Issue of shares for specific purposes.
- (3) Annual and special contributions.
- (4) Contributions from Government or other bodies.
- (5) Donations.
- (6) Commission earned on supplies or sales.
- (7) Borrowings, up to the limits sanctioned by the General Body of the Federation.

5. *The General Body*.—(Bye-law No. 9). The General Body of the Federation shall consist of three representatives elected by each member-factory at its own General Meeting or Special Meeting of its members, a representative deputed each by the Registrar, Co-operative Societies, Director of Industries, the Bombay State of Co-operative Bank and Central Financing Agencies financing the member-factories and two nominees each of the State Government and the Industrial Finance Corporation provided, however, that in the case of the Factories whose representatives have signed the application for registration of the Federation the said signatories shall be deemed to be the representatives duly elected by the others elected in accordance with this clause in their next annual or special general meeting.

6. *Quorum at Meetings*.—One-third of the representatives eligible to constitute the general meeting under Bye-law No. 9 or seven representatives, whichever is less, shall form a quorum.

The powers and duties of the general meetings are :—

- (a) to elect the Chairman of the Sangh.
- (b) to read and confirm the minutes of the last general meeting.
- (c) to review and consider the annual report and statement of accounts prepared by the Committee of Management and to review the working of the Sangh.
- (d) to fix the annual programme of work and to prepare a budget estimate of receipts and expenditure for the ensuing year.

- (e) to sanction and decide upon new undertakings and raising of capital for the same.
- (f) to elect members to the Committee of Management.
- (g) to consider the audit memo or any business referred to by the Registrar or Government.
- (h) to consider any other business laid before it by the Committee of Management.
- (i) to fix up the scale and basis of annual subscriptions and also of contributions whenever deemed necessary for specific purposes.

7. *Constitution of the Committee of Management.*—The Committee of Management of the Federation shall consist of the following :—

- (a) The Chairman of the Federation ex-officio.
- (b) One nominee of the Government of Bombay.
- (c) One nominee of the State Co-operative Bank.
- (d) One nominee of the Industrial Finance Corporation.
- (e) The Registrar of Co-operative Societies, B.S. Poona.
- (f) The Managing Director of the Federation, if appointed.
- (g) Not more than two experts to be co-opted by the Committee.
- (h) One representative of each member-factory, nominated by the Board of Directors of each member-factory from among those elected by the General Body to attend the General Meeting of the Federation.

8. *The duties and Functions of the Committee of Management are :—*

- (a) To undertake investigations for promotion and organization of Co-operative Sugar Factories.
- (b) To advise the member-factory on the selection of machinery, selection of sites and appointment of higher managerial or technical personnel.

- (c) To arrange for the purchase of capital and current requirements of member-factories on indent basis or otherwise and for the sale of sugar and other products.
- (d) To advise member-factories on matters relating to finance and production.
- (e) To run workshops, research laboratories, sugarcane farms, etc. and to undertake other business related to sugar industry and to purchase necessary sites, farms etc. for the same.
- (f) To advise, guide and supervise the working of member-factories and to arrange for their periodical inspection.
- (g) To arrange for publication of market intelligence and periodical bulletins pertaining to the sugar industry or cultivation of sugarcane.
- (h) To call for the periodical returns from member-factories.
- (i) To conduct research in problems concerning the working of member-factories.
- (j) To represent the Sangh on Government or other bodies when required and to depute representatives at conferences or any other Associations connected with the sugar industry.
- (k) To deal with applications for membership.

9. *Procedure for transacting Business.*—The Committee may meet as often as is necessary, but it must meet at least once in two months. At least five days' notice of the meeting is required to be given by the Secretary under instructions from the Chairman. The Committee may also transact business by circulation of papers. One-third of the members shall form a quorum. The Committee may appoint a sub-committee or committees and delegate to it or them any of the powers for specific duties.

10. *The Secretary.*—The duties of the Secretary are :—

- (1) To carry on the correspondence and to maintain all books, accounts and registers as required by the rules and bye-laws.

- (2) To receive and disburse moneys on behalf of the Sangh.
- (3) To summon and attend General Meetings and meetings of the Committee of Management and record the proceedings of these meetings.
- (4) To carry out such duties and functions as may be assigned to him from time to time by the Committee of Management.
- (5) To commence, institute, prosecute and to defend all such actions and suits as the Committee may think necessary or proper and to compromise and submit the same to Secretary. In the absence of a permanent incumbent, the committee may appoint any person honorary or stipendiary to carry on the duties of the Secretary.

11. *Activities of the Federation and its Affiliates.*—It will be seen from the statements appended at the end that out of 14 factories the one at Pravaranagar is the oldest which started work in the year 1950. As already mentioned, its affairs continued to be ably managed under the guidance of Prof. D. R. Gadgil, to whose resourcefulness and vision co-operative processing of Sugar-cane in this State owes its inception. The only other factory that went into production in February 1956 was the one at Kopergaon. It could hardly work for a few days, with the result that it incurred losses to the extent of Rs. 97,000/-. Other factories have not yet gone into production, as the machinery, plant and other equipment have yet to be set up. The affairs of the Federation are in the able hands of Prof. D. R. Gadgil, who continues to take considerable interest in the working of the Federation and its affiliated societies. In fulfilment of the objects of the Federation several Sub-Committees have been appointed to look after special activities. For example, the sub-committee under the Chairman himself advises the member-factories in regard to purchase of plant and machinery. On this sub-committee three engineering experts have been co-opted and the specifications of plant and machinery required for each factory were prepared under the guidance of these technical experts. Another sub-committee looks after the construction of the necessary buildings and fixation of plant and machinery. A third sub-committee is

Statement A

S. No.	Name of the factory	Distance from nearest Railway Station	Daily cane crushing capacity Tons	Double sulphated	Year in which completed or commenced	Seesaw by the unit
1	2	3	4	5	6	7
<i>(A) Ahmednagar District</i>		17 miles				
1.	Pravara Sahakari Sakhar Karkhana Ltd.	Belapur Road—C.R. 3 miles.	1,200	D.S.	1950	25
2.	Kopargaon Sahakari Sakhar Karkhana Ltd.	Kopargaon—C.R. 4 miles.	800-1,000	D.S.	15-2-1950	30
3.	Karegaon Bhag Sahakari Sakhar Karkhana Ltd.	Belapur Road—C.R.	1,000-1,200	D.S.	Started 1956-57	35
4.	Rahuri Sahakari Sakhar Karkhana Ltd.	Rahuri—C.R. 12 miles.	do.	D.S.	do.	15
5.	Rahata Sahakari Sakhar Karkhana Ltd.	Chitali Railway Station—C.R.	do.	D.S.	do.	15
<i>(B) Poona District</i>						
6.	Malegaon Sahakari Sakhar Karkhana Ltd.	Baramati—C.R. 6 miles.	do.	D.S.	do.	10-0
7.	Shri Chhatrapati Shivaji Sahakari Sakhar Karkhana Ltd.	Baramati—C.R. 8 miles.	500	D.S.	do.	20-0
<i>(C) North Satara District</i>						
8.	Shri Ram Sahakari Sakhar Karkhana Ltd.	Phaltan—17 miles Lonand S.R.	800-1,000	D.S.	do.	30-0
9.	Krishna Sahakari Sakhar Karkhana Ltd.	3 miles from Karad Rethare Bdk. S.R.	1,000-1,200	D.S.	Started 1957-58	30-0
<i>(D) Kolhapur District</i>						
10.	Panchaganga Sahakari Sakhar Karkhana Ltd.	Ichalkaranji—4 miles from Hdt. Langale S.R.	1,000-1,200	D.S.	do.	10-0
11.	Varma Sahakari Sakhar Karkhana Ltd.	Kodoli 8 miles— Hatkangale S.R.	1,000-1,200	D.S.	Started 1957-58	35-0
12.	Bhogawati Sahakari Sakhar Karkhana Ltd.	Kolhapur S.R.	do.	D.S.	do.	15-0
<i>(E) Nashik District</i>						
13.	Girna Sahakari Sakhar Karkhana Ltd.	Malegaon—Dahad 2-6 miles from Mannad C.R.	do.	D.S.	do.	15
<i>(F) Solapur District</i>						
14.	Shri Kleshit Sahakari Sakhar Karkhana Ltd.	Belapur—Hdt. 10 W.R.	do.	D.S.	Started 1957-58	30-0

State as on 30-6-56.

Paid up capital and owned funds (in lakhs)				Borrowings		Working Capital in lakhs	Profit or Loss + Profit — Loss
Government share	Members share	Statutory Reserve and other funds	Deposits	Industrial Finance Corporation	Central Financing Agency		
	6			7		8	9
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
10.0	18.68	40.07	27.12	12.25	96.59	199.66	+2.99
10.0	20.04	0.03	0.76	40.00	40.53	111.87	—0.97
10.0	11.29	0.02	—	—	—	21.81	—0.14
10.0	11.20	0.09	—	—	4.74	26.04	—0.28
10.0	8.46	0.04	—	—	0.07	18.58	+0.02
10.0	10.10	0.05	—	—	—	20.25	—0.15
10.0	10.18	0.02	—	—	—	20.16	+0.09
0.09	10.26	0.02	—	—	—	20.28	—0.04
10.00	10.09	0.00	—	—	—	20.10	+0.09
10.0	10.77	0.08	—	—	—	20.85	+0.05
10.0	10.17	0.06	0.01	—	—	20.25	+0.13
10.0	10.14	0.05	—	—	—	20.20	+0.10
10.0	10.47	0.05	—	—	—	20.52	+0.13
10.0	15.60	0.00	—	—	—	25.60	+0.01
							+3.69
139.99	162.44	40.58	27.80	52.25	141.93	565.17	—1.56

appointed in order to help the member-factories in the selection of proper building material and other equipment. An establishment Committee is also set up in order to recruit the necessary staff and to fix their scales of pay, allowances etc. and to determine the conditions of service and generally to handle problems relating to staff. The statements attached at the end disclose that the State Government has helped the member-factories liberally by contributing to their share capital to the extent of about 140 lakhs of rupees. A distinguishing feature of the working of these affiliated factories is that they have been able to mobilise rural savings to the extent of Rs. 190 lakhs for financing the processing activities mostly in the form of shares and deposits. With the financial assistance vouchsafed to the factories by the Industrial Finance Corporation of India, it is expected that the rest of the Factories will go into production in a year or two and thus help to build the sugar industry on co-operative lines—the second largest industry next to cotton textiles.

12. The following is the balance-sheet of the Federation as at 30th June 1956.

Liabilities.				Assets.			
	Rs.				Rs.		
Statutory Reserve				Cash on hand	41	4	0
Fund	1300	0	0	Cash at Bank	4087	4	6
Salaries Outstanding	980	2	9	Value of deadstock	11	6	0
T. A. Due	522	7	0	T. A. Advance	100	0	0
Miscellaneous dues	14	0	0	Touring advance	190	0	0
Surplus assets	4450	13	3	Subscription due	1937	8	0
	<hr/>				<hr/>		
	7267	7	0		7267	7	0

IX. The Bombay Provincial Co-operative Marketing Society, Ltd.

The history of the co-operative marketing movement in the State would not be complete unless we included a brief account of the working of the State Marketing Society, Ltd., Bombay. The registration of the Society in the year 1941 marked an important step forward in the development of co-operative marketing movement in the State and has since satisfied the

long-felt need for a central purchase and sales Agency at the terminal market, for the agriculturist producers and consumers' societies. The Society was registered at a time which could hardly be called propitious for the undertaking or development of marketing activities on co-operative lines due to the operation of various controls, restrictions and bans imposed by Government on the inter-district and inter-regional movement of goods. The Society had, therefore, remained satisfied during the earlier years of its inception with activities relating to the distribution of charcoal supplied by Government to the authorized retail dealers and by making payment of funds for oilcake purchased by the Department of Agriculture and by distribution of rationed commodities to a few co-operative consumers' societies in the Bombay City and Suburbs.

(b) *Objects of the Society.*—The main objects of the Society are to arrange for the sale of agricultural and other products of affiliated societies and of individual members and to provide for storage facilities for goods received in the city. The Society arranges for the purchase and sale, on a commission basis, of agricultural requisites and other consumer goods and thus acts as a central purchasing agency both for agricultural and consumer societies. It advances money on the security of produce pledged with it and sent for sale. The Society also co-ordinates the activities of various non-credit societies by getting them into touch with market places, and places of production and prices prevailing in the State. It also provides the market news.

(c) *Membership of the Society.*—Membership of the Society is of three classes, viz., A, B and C. 'A' class membership is open to any co-operative society in the State other than a housing society, while 'B' class membership is open to any individual who is over 18 years of age and resides in the State and also to a private and proprietary partnership firm. 'C' class membership is open to any individual who wishes either to purchase his requirements or sell his produce through the Society, but the C class membership carries neither right of vote nor of participation in the management of the Society nor in the distribution of profits nor any liability in the event of liquidation. A member belonging to A class is required to subscribe and pay for at least one share of Rs. 50/- while a B class member one share of

Rs. 25, and a C class member has to pay only an admission fee of Rs. 5/-.

(c) *Management*.—The management of the affairs of the Society is entrusted to a Board of Directors consisting of 11 persons constituted as under:—

Four are elected by A class members, of whom two should be from among the co-operative societies, doing the business of supply, purchase and sale of farm produce or requisites and one from among the District Central Co-operative Banks.

Four are elected by B class members, of whom one should be from individual promoters of the Society. There are three *ex-officio* members consisting of the Registrar or his nominee, the Chief Marketing Officer, Bombay State, and a representative of the Bombay State Co-operative Bank, Ltd., Bombay.

The minimum number of shares held by a director representing B class members is ten.

(d) *Executive Committee*.—The Board of Directors usually meets once a month for the conduct of the business of the Society. The day-to-day administration of the Society is entrusted to an Executive Committee consisting of five members subject to the general control of the Board of Directors. It meets as often as it considers necessary for the transaction of business, but it must meet at least once a month. The Executive Committee is also empowered under the Bye-laws to delegate any of its powers to the President of the Society. The operations of the Society during the year 1953-54 are given below:—

(a) No. of Members:—					
(a) Individuals	...	...	...	...	918
(b) Societies.	...	...	...	...	441
(b) Paid-up Share capital (in lakhs)	...	...	...	...	1.80
(c) Reserved and other funds.	...	...	...	...	0.41
(d) Working Capital	...	...	...	...	8.55
(e) Value of Members' goods marketed as owners	...	...	...	...	1.08
(f) Commission earned	...	...	...	...	0.54
(g) Profit.	...	...	...	...	nil.
(h) Loss.	...	...	...	...	0.87

(e) *Business handled*.—Except the distribution of coffee seeds, the Society had virtually no business left with it due to the lifting of controls during the year. Thirty-three wagon loads of plantains accounting for a turnover of Rs. 1,38,595/- were sold at Delhi and a gross commission of Rs. 8,662 was earned. 25% of this amount was paid back to the consignors and half of the balance remaining was paid to the guarantor through whom this business was done. The sale of fruit and vegetables in Bombay amounted to Rs. 9,985/- and the Society earned a commission of a meagre sum of Rs. 311. The turnover of business in Mosumbies grown in the East Khandesh District through its Delhi Branch was only of the order of Rs. 25,086/- and the net amount of commission earned was Rs. 588/-. The Society sold 1301 bags of potatoes sent by the Nasik District Potato Committee and the turnover of business in mangoes received for sale amounted to Rs. 6,583/-, and the net amount of commission earned was Rs. 190. The Society purchased coffee seeds worth Rs. 51,714/- and the whole of the stock was sold and the Society earned a commission of Rs. 2,558/-. During the year the Society earned a rent of Rs. 62,803/- by renting out its godown at Sewri as against Rs. 1,06,050/- in the previous year. The fall was due to the fact, that the Government was charged rent at the rate of Rs. 1-8 per ton on sulphate of ammonia stored. Since the stock held on Government account progressively declined, the rent earned also fell progressively. The Society handled fertilizers and sulphate of ammonia valued at about 2 crores as the Agent of Government and owing to mishandling of the business, heavy losses are apprehended. Unless all the accounts are finally settled, a clear picture of the financial position of the Society and the exact amount of loss that is likely to occur is difficult to emerge. Efforts are, therefore, being made to settle the accounts relating to the sulphate of ammonia and other manures with the Government of Bombay as well as the sub-distributors, and the question of its reorganization and reconstitution is stated to be under the active consideration of the State Government.*

* The Society is now taken into liquidation.

X. The Place of Multi-purpose Co-operatives in the Scheme of Co-operative Marketing of Agricultural Products in the Bombay State

Place of Multi-Purpose Co-operatives in the Scheme of Co-operative Marketing and Rural Economy of the State in general.

—The advent of the economic depression of the 1930's showed in no uncertain manner that co-operative credit without its allies thrift and marketing was not likely to achieve much in ameliorating the economic condition of the agriculturist. Co-operative opinion is, therefore, veering round to the view that an agricultural credit society will not secure full benefits to agriculturists unless credit is linked with supply and marketing and hence multi-purpose societies which combine these functions are being established in this State in greater numbers than before. Besides granting credit, multi-purpose societies are expected to undertake as many other activities as are possible covering the whole of rural life such as for example (i) assembling and transporting produce of members, for marketing through co-operative marketing societies; (ii) supply of agricultural requirements like improved seed, fodder, fertilizers and manures; (iii) supply of domestic requirements; (iv) collecting milk produced by members' cattle and arranging for its supply to urban and other neighbouring areas through milk supply unions; (v) encouraging the sale of products of cottage industries, etc. It is not, however, intended that multi-purpose societies should undertake all these activities at once; but the aim is that they should take up as many of them as they reasonably and profitably can. Multi-purpose societies are usually established in places where marketing facilities or suitable bazaars are available in the immediate neighbourhood for a group of villages within the radius of about 5 miles from the central village. They are also expected to be help-mates of ordinary credit societies. Members of agricultural credit societies functioning within the area of operation of multi-purpose societies can avail themselves of the services of the latter. They can obtain advances against stocks from the financing agencies if they take their produce to the multi-purpose society for sale. The financing bank enrolls members of primary societies as nominal members and can sanction advances to them on the security of produce in collaboration with the multi-purpose

society. Under the provisions of the law enacted for the relief of agricultural debtors in this State many adjusted debtors were given the help of co-operative societies for securing finance for raising crops. Even otherwise arrangements for the marketing of their produce would, have to be made by the co-operative agency as it supplies crop finance. Thus a multi-purpose society which combines credit with marketing is expected to play a more important role in the scheme of rural finance in future. In order to encourage newly started multi-purpose societies Government have vouchsafed financial assistance on the following scale, viz., a grant of Rs. 300 for the first three years from inception, Rs. 200 in the fourth year and Rs. 150 in the fifth year or half the cost of management and propaganda whichever is less. Further, Government has also authorized the Registrar of Co-operative Societies to sanction long-term loans for the construction of godowns for the storage of agricultural produce and other requisites to multi-purpose, sale and supply societies undertaking the construction of godowns to the extent of 2/3rds of the cost of construction at the concession rate of interest, viz., $3\frac{1}{2}\%$ subject to a maximum of Rs. 5,000/-. Again, in the initial stages for the first three years Government gives assistance also by way of loan of departmental officers to the marketing societies including multi-purpose societies as secretaries. In view of the various concessions and facilities thus afforded and the encouragement given, multi-purpose societies have in this State recorded remarkable progress and are expanding their activities on an enormous scale as the sub-joined statement indicates:—

	1952-53	1953-54
1. No. of Societies.	3665	4212
2. No of Members.	3.90 lakhs	4.52 lakhs
3. Share Capital	161.80 lakhs	196.81 lakhs
4. Reserve and other Funds. ...	115.64 "	135.81 "
5. Deposits from :—		
(i) Members.	42.88 "	48.06 "
(ii) Non-Members.	35.54 "	35.20 "
(iii) Loan from Central Banks.	264.65 "	308.52 "
6. Working Capital	628.74 "	739.63 "
7. Loan Operations :—		
(a) Crop Loans.	181.65 "	205.33 "
(b) Loans on Security of Produce.	64.52 "	64.07 "
(c) Intermediate-term loans. ...	37.15 "	35.49 "
(d) Loans for domestic and industrial requirements.	96.91 "	164.19 "

	1952-53	1953-54
8. Total Loans outstanding ...	416.66	477.23
9. Overdues.	93.14	111.21
10. Value of Agricultural, Domestic and other Requirements handled. ...	674.60	400.27
11. Commission earned.	4.18	2.29
12. No. of villages covered by these Societies.	15,200	15,847

XI. Future Lines of Development of Co-operative Marketing in the Bombay State

The overall plan for the development of agricultural marketing including co-operative marketing of agricultural produce in the State drawn up by the Co-operative Department and submitted for inclusion in the Second Five Year Plan is an ambitious one. It provides for the implementation of several schemes relating to different aspects of development involving an expenditure of several lakhs of rupees both recurring and non-recurring, on account of grants-in-aid and loans and contributions to the share capital of societies etc. It is obvious that the carrying out of the several schemes would depend on the amount of finance made available both by the Central and the State Governments and there is every likelihood that some of the schemes might be modified by the Planning Commission. The details of the Scheme are given below:—

(1) 100 marketing co-operatives are proposed to be established in the Plan period at a total cost of Rs. 540.24 lakhs in addition to the existing ones. There are about 1,500 weekly bazaars in the Bombay State, out of which 277 are assembling markets, both major and minor, where primary producers sell their agricultural produce. It is proposed to cover all the important assembling markets in the State by establishing 75 new Purchase and Sale Societies or Unions or by opening Branches of the existing ones in places not served by them at present. It is also proposed to organize 25 more single-commodity societies cropwise in regions growing commercial crops like cotton, sugar-cane, tobacco etc. There will be in all 150 single-commodity societies. The total number of marketing co-operatives, inclusive of the re-

organized State Co-operative Marketing Society, would be 431 at the end of the Plan period as against 331. In establishing 100 more societies, the objective is that they should be in a position to handle 30% of the total value of produce arriving in the markets.

Extension of Grading Scheme

It is proposed to expand the grading activities under 'Agmark' in respect of ghee and edible oils. For this purpose it is found necessary to instal at five centres mentioned in the scheme well-equipped laboratories in charge of qualified staff. The scheme is expected to cost about Rs. 2.43 lakhs.

Co-ordinated Market News Service

The scheme visualizes the provision for a regular and prompt supply of market intelligence about the trends in regard to prices for the benefit of rural primary producers so as to enable them to obtain better returns for their produce. The service would provide an authentic and authoritative source for the foreign importers regarding the credentials of Indian exports, so as to develop and promote foreign trade. The scheme is expected to cost 2.29 lakhs.

The Scheme for Preservation of Fruits and Vegetables Through Co-operatives

The Union Government has formulated a scheme for the preservation of fruits and vegetables. The scheme visualizes organization of factories processing fruits and establishment of cold stores on co-operative lines. The cost of a processing factory is estimated at Rs. 10,000/-, while the cost of a cold storage plant is estimated to be Rs. 5 lakhs. Ten small processing factories for fruit are proposed to be established in the fruit-growing regions of the State. In the important consuming centres like Poona, Ahmedabad and Bombay two cold stores on co-operative lines are proposed to be established and the total expenditure on the scheme is estimated to be Rs. 11.05 lakhs.

Scheme for Marketing Survey and Research

The scheme for Marketing Survey and Research in keeping with the increased agricultural production, marketing of agricultural commodities is proposed to be developed on an extensive scale. For preparing any plans detailed information regarding the acreage, production, yield, marketable surplus, spread, price-levels, import and exports, is necessary. Research in certain aspects of marketing is also required to be done in order to ascertain the market trends and situation, and to find out the ways and means of increasing market efficiency. For want of proper statistical data no problem relating to market can effectively be solved. It is felt, therefore, very necessary to strengthen the survey and research section of the Co-operative Department in the Marketing Branch. The total cost on the scheme is estimated to be Rs. 1.01 lakh.

Scheme for the Development of Processing Societies

It is proposed to organize 34 ginning and pressing societies, 10 paddy husking societies, 3 Isabgul societies, 4 spinning mills, 4 chilly-powdering societies, 10 ground-nut-processing societies and 15 sugar factories at various places in the State. The processing societies are proposed to be established for important commercial and food crops like cotton, groundnut, chillies, paddy etc. A processing society requires a fairly large amount of capital to be sunk into fixed assets such as buildings, machinery and plant etc. 50 per cent of the capital requirements would be contributed by the people receiving benefit from the scheme, and 50 per cent should be contributed by the State in the form of share capital. The Societies in question will also need Government subsidies in the initial stages at the rate of Rs. 3,000 per annum per each society for a period of three years. In the case of spinning mills, the capital requirement in each case would be Rs. 40 lakhs. The cost is proposed to be apportioned as under:—

- (a) 50 per cent of the capital cost to be borrowed as a long-term loan from the Industrial Finance Corporation.
- (b) 50 per cent of the recurring capital cost to be collected in the form of shares by the beneficiaries themselves.

- (c) 50% of the balance should be met by the State in the form of share capital.

The Central Financing Agencies in the State are expected to make finance available to the Processing Societies in order to enable the latter to meet the running expenses. The total cost on the scheme is estimated at Rs. 374.73 lakhs.

Scheme for the Expansion of Regulated Markets

In the Bombay State there are 171 major assembling markets and 106 minor ones. These markets include Municipal Markets as well except the Terminal Market in Bombay. The scheme visualises the application of the Bombay Agricultural Produce Markets Act, 1939, in order to regulate the purchase and sale of agricultural produce, animal husbandry products and horticulture throughout the State. To achieve this object, 171 agricultural produce market committees are proposed to be established at 171 major market centres. The minor markets would be covered by declaring them as sub-market yards. The number of sub-market yards would be 106. There would be 277 primary producers' regulated markets in the State, both major and minor. On 1st June 1955, there were 101 Market Committees with 101 principal market yards and 76 sub-market yards. Seventy more regulated markets are proposed to be established during the Plan period with the requisite number of sub-yards, to cover all the minor markets in the State. In order to enable the Market Committees to purchase or acquire lands and develop market yards, Government loans to the extent of Rs. 80 lakhs would be necessary. It is also proposed to make finance available to 30 market committees in order to enable them to put up godowns for the storage of produce. Each Market Committee would be given loan to the extent of Rs. 20,000/. Thus the total cost will be Rs. 6 lakhs. Out of this sum, 25% will be treated as subsidy and the balance as loan. There would be a network of regulated markets in the State. The major and minor markets that would be regulated by 1960-61 would be 277. Guidance and supervision of the market committees for their healthy development would be necessary, and it is proposed to ask for the post of a Class I officer to assist the Chief Market-

ing Officer. The recurring cost of a Class I Officer and his staff is estimated to be Rs. 1.15 lakhs.

The cost of the whole scheme is estimated to be Rs. 87.15 lakhs.

IX. ASSAM

There is only one marketing society in the State in the District of Gare-hills for marketing cotton produced on a large scale in that area. The organization of a chain of marketing societies for handling agricultural products is being taken up. Similarly, construction of 16 godowns is reported to have been under way, out of financial assistance provided by the Government.

X. WEST BENGAL

Co-operative Marketing of Agricultural Produce

At the time of partition, there were 43,335 societies in Bengal, out of which 12,946 came under West Bengal. Partition dealt a severe blow to the credit co-operatives in West Bengal, particularly to some of the central financing agencies and the State Co-operative Bank. The main consequences were the freezing of the assets of the State Bank, as loans had been mainly issued to societies in East Bengal. The position became all the more difficult, as most of the depositors belonged to West Bengal and the Apex Bank and some of the Central Financing Agencies were faced with the problem of meeting their liabilities without being in a position to realize their investments. The State Government came to their rescue by guaranteeing the good investments in East Bengal to the extent of Rs. 1,24,00,000/- and the guaranteed amount was paid in annual instalments of Rs. 10 lakhs. Government also arranged for the advance of additional funds for the movement by the Reserve Bank of India. At the close of the co-operative year 1954, there were 16,072 societies, with a membership of 10 lakhs and the working capital of Rs. 20 crores. Among these societies, there were, at the end of 1954-55, 29 agricultural purchase and sale societies, 158 primary milk societies, and one milk union and a cardamum sale society in the Darjeeling District. The marketing co-operatives in West Bengal handled paddy and rice. They make outright purchases from their members and undertake partial processing of produce, and thus take

upon themselves all the risk of market fluctuations. They are financed by the Central Financing Agencies of the area under a cash credit system. The operations of marketing societies for a period of two years ending 1953-54 are given in the following table:—

	1952-53	1953-54
1. No of Societies.	21	29
2. Membership : Individuals.	11,986	12,316
3. Paid-up Share Capital (in lakhs).	Rs. 0.87	0.91
4. Loans issued during the year ... ..	...Rs. —	0.18
5. Value of Stocks sold during the year		
(a) As Owners. ... ..	...Rs. 1.88	3.67
(b) As Agents. ... ..	...Rs. 0.03	0.02
6. Net Profit or Loss. ... ..	...Rs. +0.04	+0.07
	—0.13	—0.71

The Gosaba Dhanya Vikri Samiti Ltd.

One of the Paddy Sale Societies in the State has a rice mill attached to it and is reported to be working successfully. It is the Gosaba Dhanya Vikri Samiti, Ltd. Gosaba lies in the Sundarbans on the Bay of Bengal. The area full of ditches and jungles was first acquired by Sir Daniel Haminton—the pioneer co-operator of Bengal—about the year 1923. There are at present 28 villages in Gosaba, and each village has a credit society. The Sale Society is the Federation of these units. The village organizations supply all the credit needs of their members. In 1927, the Gosaba Sale and Supply Society erected a rice mill, and it was then re-named as “Gosaba Jamini Rice Mill” and Dhanya Vikri Samiti, Ltd. It markets the agricultural produce of members of primary credit co-operatives affiliated to it and is also milling the undisposed paddy of members. The Central Bank advances loans to the members of primary credit societies for their agricultural operations. Each member of the Gosaba Sale and Supply Society is required to purchase at least two shares of Rs. 10 each, in addition to an entrance fee of As. 8 he has to pay. The affairs of the Society are managed by a Managing Committee consisting of 17 persons elected annually from among members at the General Meeting. There is also an Executive Committee of five persons elected by the Directors from among themselves to look after the day-to-day business of the Society.

Method of Doing Business

As soon as crops are ready, a village credit society intimates to the sale society what marketable surpluses of paddy of members would be available for sale. On receipt of this intimation, the sale society sends its supervisor with weighmen. The supervisor visits each society with weighmen and gets members' paddy weighed in his presence and grades it according to quality. The supervisor then prepares three copies of receipts showing therein the quality and quantity of paddy, name of the member from whom purchased, the price of paddy etc. The original is handed over to the seller and one copy is sent to the society and the third copy is kept on record. The sale society makes outright purchases and gets one share per $1\frac{1}{2}$ maund of paddy as dhaltā—allowance for loss in weight. In making purchases, prices paid by other buyers are also taken into consideration while fixing the price. Sale proceeds are disbursed at three centres and deductions, if any, on account of dues to co-operative credit societies and rent due to Sir Daniel Hamilton and instalments of loan, if any outstanding on account of borrowings from the sale society are made and the balance then remaining is handed over to members or else credited to their deposit accounts. There is also a co-operative consumer's store in the Colony which supplies the members with provisions and other requirements of daily life. It is gratifying to note that there is no money-lender in the colony except the very credit society itself and no middleman except the Gosaba Supply and Sale Society and Co-operative Store. All disputes of members are decided through the arbitration of Panchayats established in villages. Gosaba may be said to be in essence a small-scale commonwealth where co-operation permeates all the phases of people's life. As regards the financial position of the Society, latest statistics are not available (vide statements attached at the end).

The Calcutta Milk Supply Co-operative Union

(a) *Early History and Membership.*—The Calcutta Co-operative Milk Societies' Union is one of the oldest milk organizations in India. The organization of co-operative milk societies in Bengal was undertaken by the Co-operative Department as early as 1917. The favourable features at that time were that milk at Calcutta was selling at a high price of Rs. 13 per maund and

the middlemen were not giving a square or fair deal to the producers. Important villages for the supply of milk were situated near suburban railway stations. The first society was organized at Dudpur which is reported to have supplied only three seers of milk in the beginning. Through constant efforts of the co-operative workers, the number of milk supply societies grew and this enabled the registration of the Union in 1919.

(b) *Milking, collection and transport of milk.*—Most of the societies are organized in the villages placed at convenient distances from the railway stations on the E.I. and Martin Light Railways. Each village or society has milkers and carriers of milk who are paid by the Union. For a society having 40 to 50 members supplying about to 1 to 1½ maunds of milk per day, the Union engages three milkers and one carrier. Animals are milked at the houses of members and after measurement the milk is handed over to the carrier. He enters the quantity of milk received in the pass book of each producer and then takes it to the Secretary of the Society in a village, who is also paid by the Union. The Secretary prepares chalans and keeps the necessary accounts. The carriers transport the milk on head-loads or on shoulder-slings to the assembling centres where the milk is received by the Manager, who is paid a commission of As. 12 per maund by the Union. There were 18 such assembling centres located near the railway stations. The Manager makes a combined chalan of milk received from all the villages, which also shows their lactometer readings, and arranges for its transport to Calcutta. The milk is not booked but is carried by special men employed by the Union as luggage with their III class season tickets. The Martin Light Railway allows with one III class ticket one maund and ten seers of milk, but one person can carry any quantity of milk so long as he holds the requisite number of tickets. On the E.I. Railway, however, this is not allowed. There 2 maunds of milk are allowed per each III ticket, but a man must travel with this quantity. That is to say, to carry 4 maunds of milk two persons with two III class tickets are required. From the railway station, the milk is then taken in motor lorries, owned by the Union to the Dairy.

(c) *Quality Control.*—At the assembling centres and at the Union's Dairy at Calcutta, the quality of milk is tested by lacto-

meters. A certain number of fat tests are also regularly performed at the Dairy at Calcutta. Milk is handled throughout by the paid staff of the Union. When there are complaints about the quality of milk, disciplinary action is taken against the members of the staff who are at fault.

(d) *Processing of Milk.*—The Dairy is located in the heart of the City at 119, Bow Bazar Street. Though the Union is paying a heavy rent, the place is hardly suitable for a dairy. In the beginning, the Union handled raw milk, but later a pasteurizing plant was set up. It is reported that the milk collected by the Union has unpleasant flavour due to two reasons: Firstly, raw milk is produced in unhygienic conditions in the villages and there is inadequate control in regard to clean milk production. Secondly, it is a common practice with the milk trade to put green leaves in open milk vessels to prevent splashing. This imparts a tainted flavour to the milk. Besides, the cleaning of cans in the villages also requires greater attention.

(e) *Distribution and Sales.*—All milk is distributed through deliverymen paid on a monthly basis. They are not supplied with liveries. About 20 to 25% of the milk produced is bottled and delivered to the consumers. About similar quantity is sold in bulk in large cans to the hospitals. The remaining quantity is sold in retail in sealed cans having a delivery tap at the bottom. The Union has also got retail depots at some of the municipal markets.

(f) *Containers.*—For assembling and transporting milk between villages and the assembling centres, the various societies use 4 to 5 thousand small locally made cans (having 20 seers capacity each). The cans generally remain in the villages and are cleaned as best as the village conditions allow. For transport between the collecting depots and the Union, a further 3,000 to 4,000 larger cans, some of foreign make, are in use. Before the empty cans are returned to the assembling centres, they are washed and sterilized over steam jet at the Dairy.

(g) *Purchase and Sale Prices.*—In 1946-47 (later statistics not available) the prices paid by the Union were Rs. 23 and Rs. 35-8 to members and non-members respectively, but the societies receive milk from their members at the rate of 100 tolas per

each share, whereas they deliver to the Union at the rate of 80 tolas per share. This margin is kept by the Society for paying the wages of milkers, carriers etc. The retail price of milk delivered in bottles or loose from cans at Calcutta is the same, viz., As. 12 per seer. Milk is sold either in cash or on monthly bills system, provided the value of a month's supply of milk is deposited in advance with the Union. But the customers requiring milk in bottles have to abide by certain rules, viz., pay deposit for the cost of bottles. For larger quantities the prices charged vary according to the circumstances, e.g., the Hospitals at Calcutta are supplied pasteurized milk at concessional rates.

(h) *Management.*—The affairs of the Union are entrusted to a Board of Management who are elected in a general meeting of the union from among its members who are affiliated societies only. The Chairman of the Board of Directors is generally a leading personality of Calcutta. The Union spends a part of its profit on general welfare work, viz., establishing village schools and sinking tube-wells etc. A Veterinary Inspector is also maintained who visits the villages and advises the members in regard to the health and general well-being of their cattle. The Union has also made arrangements for giving free services of pedigree bulls for the cows of the members.

(i) *Difficulties experienced by the Union in regard to the Expansion of its Activities.*—Despite its existence for a long time, the Union has been handling a small portion of the milk required daily by the Calcutta Fluid Milk Market and there are several reasons for this, which are listed below.

One peculiar feature of the working of the Union is that it handles milk received from only one type of animal, viz., cow, to the exclusion of the buffalo, and this leads to abnormal seasonal variation in supply, because cows calves in the early part of the year and hence they are in flush, during the months of March and April. Thus the quantity handled in these two months goes up to 150 to 170 maunds per day, whereas in the month of October it drops down to 75 to 80 maunds per day. This could be removed by the introduction of buffalo milk, but there is a general apathy among people for buffalo milk in Bengal. The consequences have been that the Union has to sell away at

low market rate its surplus quantities of raw milk during the flush season at the railway station at Sealdah or at the local markets, as the Union cannot afford to refuse acceptance of members' milk on account of the fear of losing them altogether. On the other hand, during September to February, in order to maintain the sales it has to purchase milk from non-members in the villages or from the local milk markets at a higher price. This results in loss every year to the Union. It is further found that during the periods of scarcity, some of the members are not loyal to the Union and sell milk to outsiders at higher prices, as the Union cannot insist upon the members giving their entire production or to prevent outsiders from purchasing the milk from members. Thus the Union has not been able so far to surmount the problem of seasonal variation in supply, and the problem could be effectively tackled if the excess supply could be diverted to the manufacture of by-products like butter, milk powder, casein etc.

(ii) The system of milking animals in their respective homes of members of village societies gives scope for adulteration. As the production of milk is scattered and is done on a small scale, effective supervision over milking operations is difficult, particularly in view of the unhealthy competition that exists in the milk trade. This difficulty can, however, be got over by milking the animals at a central place in a village under the supervision of a paid agent of the Union. For this purpose it is necessary to put up milking sheds, the cost of which may be borne by the Government by making to the Union a grant-in-aid available or it might grant to the Union interest-free loan on a long-term basis and spread over in suitable small instalments for repayment.

(iii) The next problem is as to how to bridge the gap between the time of milking and that of arrival of milk at the Union office, especially when the milk is transported from villages which are situated at a great distance. Arrangements for transport by refrigerated vans provided by the railway would be one of the solutions to the problem. Another remedy would lie in maintaining motor truck by the Union itself, so as to facilitate speedier transport of milk. And the cost of these trucks may be met from interest-free loan made available to it by Government and

spread over in sufficiently large number of annual instalments for repayment.

(iv) *Unhealthy Competition of private milk vendors.*—Private vendors of milk, both big and small, enter into unhealthy competition with the Union and offer adulterated milk at lower prices to the consuming public, who go in for inferior milk, whereas the Milk Union is compelled to charge higher rates, as it endeavours to sell pure and unadulterated milk. The Municipal authorities can help the Union in this regard by checking adulteration of milk more strictly than has been the case hitherto. This would serve to leave a larger field for the Co-operative Union and a larger supply would also serve to reduce cost. Another remedy suggested by the Milk Marketing Report published by the Directorate of Marketing and Inspection is that the entire responsibility for purchasing milk from rural areas, its transport, processing and distribution and control of quality from the stage of production to the stage of retail distribution should be vested in a single duly authorized milk marketing organization. Further, the Report recommends also that retailing of milk should be done within the notified area through licensed retailers who should obtain wholesale supplies exclusively from the marketing organization referred to. Moreover, it suggests that no milk should be allowed to be produced within the notified city or town. It is obvious that this remedy involves an element of compulsion and enactment of special legislation of a provincial nature, would be necessary to translate it into actual practice. The remedy suggested appears to be at best a matter of long-range policy and it is rather difficult to purge the urban areas all at once of all urban milch cattle or to organize collection and distribution of milk produced in rural areas through only one monopolistic organization, as the cost involved would be prohibitive, unless pasture lands outside the city or in the rural areas are earmarked and reserved by Municipalities or Government for locating milk colonies on them on the model of Aarey Colony in the Bombay State or such pasture lands are handed over, free of cost, to co-operative organization of milk suppliers. When the arrangement is put into practice in future, the monopolistic body suggested should either be a Milk Marketing Board, or preferably the Co-operative Agency, as co-operation has better

chances of success in doing service to the public, provided that improvement in the condition of supply of milk in relation to demand is brought about. Nor is the suggested solution of retailing milk through the existing agency of distributors to be welcomed, as licensed wholesalers these distributors would buy milk from the co-operative milk organization and sell the same in retail to customers, and in doing so, the system of distribution allows loopholes for fraud. Instead of entrusting this work to the retail distributors, chances of success would be enhanced, if co-operative consumers' societies were to take up the work in the area of operation and distribute pure milk as a branch of their own activities and cater for the needs of members who can afford to pay higher prices for quality milk.

Progress of the Jamini Rice Mill and Dhanya Vikri Samiti, Ltd.

	1939-40	1946-47 (third quarter)	30-6-1954
No. of members. ...	453	661	850
Paid-up Share Capital. ...	14,595	18,175	20,000
Reserve and other Funds. Rs.	13,393.	Rs. 2,87,520	31,9068
Working capital. ...	1,33,156	4,25,174	7,17,346
Value of paddy purchased ...	2,04,118	10,80,440	41,739 mds. (value not available)
Value of paddy sold after processing	2,32,430	13,22,238	N.A.
Net Profit. ...	3,680	25,854	17,490

Calcutta Milk Supply Union, Ltd.

Details of operation	1945-46.	1950-51
No. of societies affiliated.	135	93
Paid-up share capital. ...	Rs. 14,000	Rs. 15000 (30-6-1953)
Value of milk purchased from members	8,90,868	Rs. N. A.
Do. from non-members. ...	5,12,958	N.A.
Value of milk sold. ...	17,17,413	Rs. 7,61,000 (30-6-1953)
Average daily purchase of milk	124 maunds.	124 mds.
Reserve and other funds. ...	1,82,213	3,29,262
Working Capital. ...	2,56,160	4,37,140

Note:—Latest figures are not available.

XI. HYDERABAD

Marketing of Agricultural Produce

Co-operative marketing activities were undertaken by the Taluka Agricultural Co-operative Associations in the State, having their own apex organization in the Hyderabad Agricultural Co-operative Association. These institutions are briefly designated as TACAS, which were ushered into being with the object of handling work connected with the levy associated with the control of foodgrains. They were later converted into institutions for handling agricultural products for sale and for the supply of agricultural requisites and consumer goods. The State Government had also established a Commercial Corporation to act as a wholesale agent on its behalf for the procurement of foodgrains. The TACAS worked as agents of this Corporation in matters like collection, preservation and issue of grains on a commission basis. In addition to this agency work, the TACAS also handled retail sales of controlled and rationed grains. During the year 1947, the Hyderabad Commercial Corporation—the Apex Body was also converted into a co-operative institution and it was registered as Hyderabad Co-operative Commercial Corporation, and all TACAS became its members. In course of time the relations between the TACAS and the Hyderabad Commercial Corporation became strained, as the result of which the TACAS were put to a lot of inconvenience, as huge amounts due to them from the Corporation got locked up. A Board of Arbitrators was, in the first instance, appointed to settle the dispute relating to accounts and other matters. This Board failed to function properly and a Sole Arbitrator was appointed to replace the Board. It is reported, that there are still a number of cases on the records of the Arbitrator which await to be awarded. With the lifting of control over foodgrains, the business of TACAS dwindled and their position has now become difficult and delicate. Their reorganization is reported to have been undertaken by the State Co-operative Department with a view to improving their position by entrusting to them the supply and distribution of improved seeds and agricultural requisites and converting them into agencies for making loans to their members and marketing their produce. The sub-joined state-

ment indicates the operations of these institutions for a period of two years ending 30th June 1954.

	1952-53	1953-54
1. No. of Societies.	135	133
2. No. of Members :—		
Individuals.	1,46,829	1,41,846
		in lakhs.
3. Paid-up Share Capital	39.55	38.92
4. Loans issued during the year.	5.34	1.22
5. Value of goods distributed to members as owners.	136.87	59.23
6. Net Profit or Loss	+1.23 —1.40	+0.46 —2.22

XII. MADHYA BHARAT

Co-operative Marketing of Agricultural Produce

Marketing co-operatives in the State were mainly engaged in the supply and distribution of controlled commodities. With the removal of controls and due to lack of adequate finance, they are at present languishing. The absence of godowns facilities and regulated markets stand in the way of progress of these societies. The apathy of members coupled with non-availability of funds has been the chief factor responsible for their present unsatisfactory condition. The sub-joined table gives the operations of these institutions for a period of two years ending 30th June 1954.

	1952-53	1953-54
1. No. of Societies.	30	32
2. Membership :		
(a) Individual	2686	3041
(b) Societies	—	—
3. Paid-up Share Capital (in lakhs)... ..	0.69	0.77
4. Loans issued during the year	1.49	6.77
5. Value of goods distributed to members (in lakhs)		
(i) Sold as Owners.	5.45	4.19
(ii) Sold as Agents	2.01	1.73
6. Net Profit or Loss.	+0.04 —0.03	+0.32 —0.33

XIII. MYSORE STATE

Co-operative Marketing of Agricultural Produce

(A) Primary Marketing Co-operatives

Co-operative Marketing Societies in the State handle arecanut cardamum, honey, cotton, groundnut, cocoanut, copra, paddy, ragi, cholam, tamerind, chillies, coffee seeds, and sugar and jaggery. The Malnad Areca Marketing Society, the Sakalespur Cardamum Growers' Society, the Davangere and Arsikeri Agricultural Produce Marketing Societies pool the produce of their members and obtain requisite finance from the Mysore Co-operative Apex Bank. The Malnad Arecanut Society and the Arcekeri Cotton Ginning Society have their own godowns while other societies store the produce brought to them in the rented godowns. The Co-operative Cotton Marketing Society is the only institution undertaking processing activities viz. the ginning of cotton. Some of these societies grade the produce of members as well. There are no regional federations in the State. The sub-joined statement gives statistics relating to the working of these primary marketing societies in the State for a period of two years ending 30-6-1954.

Particulars	1952-53	1953-54
1. No. of Societies.	54	85
2. Membership :—		
(a) Individuals	16,600	19,832
(b) Societies	—	—
3. Paid up share capital (in lakhs)	3.90	3.99
4. Value of purchases (in lakhs)	31.4	37.20
5. Value of goods sold (in lakhs)	35.9	38.08
6. Loans issued during the year (in lakhs)	31.41	30.99
7. Working Capital (in lakhs)	25.3	27.05

(B) The Mysore State Co-operative Marketing Society, Ltd.

This society has been in existence for more than 12 years and is serving as a link between the producers' societies on the one hand and the co-operative consumer's societies on the other. There are two classes of membership in the society viz. A and B. The authorised share capital of the society as on 30-6-1954 was Rs. 1,00,000 made up of 3,000 A class shares of Rs. 25/- each

and 2,500 B class shares of Rs. 10/- each. A class shares are allotted to affiliated societies and B class shares to individual members.

The management of the affairs of the society is entrusted to a Board of Directors consisting of 21 persons including the President as mentioned below:—

- 1 Member to be nominated by the Government.
- 3 *Ex-officio* Directors, representing the Departments of Agriculture, Co-operation and Marketing and nominated by Government.
- 6 Directors to be elected by the representatives of affiliated multipurpose societies at the rate of 2 for each of the judicial divisions of the State.
- 6 Directors to be elected by the representatives of the affiliated consumers' societies in the State at the rate of 2 for each of the judicial divisions of the State.
- 1 Director to be elected by the representatives of the affiliated producers' societies in the State.
- 1 Director to be elected by the representatives of the affiliated co-operative societies situated within the corporation limits of Bangalore City.
- 1 Director to be elected by the representatives of the affiliated co-operative societies situated within the municipal limits of the Mysore City.
- 1 Director to be elected by the representatives of the affiliated District Co-operative Marketing Societies in the State.
- 1 Director to be elected by the individual share holders from among themselves.

N.B.—There are three judicial divisions in the State viz. one comprising the districts of Bangalore, Kolar and Tumkur another comprising the districts of Mysore, Mandya and Hasan and the third comprising Shimoga, Chitaldrug and Chikmagalur.

The President is elected by the Board of Directors from among themselves. The term of office of the Directors expires on the day of the general election following their election; no person

can hold offices consecutively for more than 3 terms except the *ex-officio* Directors. Subject to the general control and superintendence of the Board the day-to-day administration is vested in an executive committee consisting of 7 members. The President, the Deputy Registrar, Co-operative Societies, the Deputy Director of Agriculture and the Assistant Marketing Officer, Bangalore will be *ex-officio* members of the Executive Committee. The remaining 3 members will be elected by the Board from among themselves of whom at least 2 shall be residents of Bangalore City.

Activities of the Society.—The main activity of the society centred round the distribution of Coffee seeds in the Mysore State. During the year 1954 it distributed 357½ tons of different varieties of coffee seeds valued at Rs. 15,30,325. The value of other goods like textiles, paper, soaps, leather goods, tur, tamerind, fertilisers, amounted to Rs. 1,31,604. The society made a net profit of Rs. 10,769 during the year. From the working of the society it appears it has not yet begun to market the produce of its members whether individuals or societies.

The progress of the society during a period of 4 years ending 30th June 1954 is indicated in the statement given below:—

Particulars	1950-51	1951-52	1952-53	1953-54
1. No. of A Class Members	471	786	872	883
2. No. of B Class Members	170	177	184	185
3. Paid up Share Capital Rs.	36,765	Rs. 38,269	Rs. 42,043	Rs. 42,355
4. Reserve and other Funds "	45,796	" 60,177	" 52,172	" 72,456
5. Value of Purchases (in lakhs)	" 17.23	18.67	" 21.19	" 15.64
6. Value of Sales (in lakhs)	" 17.53	" 19.35	" 21.19	" 16.61
7. Net Profit	" 15,548	" 11,908	" 3,033	" 10,769

XIV. RAJASTHAN STATE

Marketing co-operatives in the State handled foodgrains and cloth. There were during the year 1954-55, 40 marketing co-operatives consisting of ten co-operative marketing federations, 21 marketing unions, 6 commission shops and 3 other societies. They had a membership of 1541 individuals and 1549 societies, with a total working capital of Rs. 9,46,975/-. They

are being financed by the Central Financing Agencies and Banking Unions of the areas concerned. The value of finance issued by them is shown below:—

Year	Amount in lakhs
1951-52	7.81
1952-53	5.44
1953-54	5.04

There are Regional Federation but no marketing society. The Federation at Jaipur had a membership of 171 societies. It supplied yarn to weavers' societies, sold also controlled cloth during the period of controls. It acted also as a selling agent of the hand-made paper-markers' society. It had attracted a decent amount of deposits from societies and a loan of Rs. 6 lakhs was granted to it by the Bank of Jaipur against Government guarantee. After decontrol of yarn and cloth, however, it suffered heavy losses due to a slump in the cloth market and it at present in a moribund condition. There is one more marketing society in the State, which is designated as "Kendriya Sarvodaya Sahakari Sangh", Ltd., at Jaipur, which has received a loan of Rs. 50,000/- from the All-India Khadi and Village Industries Board. With the financial accommodation thus made available to it, it has established a Sales Depot in the heart of the city of Jaipur and is working as a marketing society for the Khadi Producers' Co-operative Societies affiliated to it, as well as for other products of cottage industries like ivory or wooden toys. The marketing co-operatives and the federations had their own godowns for the storage of their own goods, but no such godowns were made available to the affiliated societies for their use. A sum of Rs. 3,000/- was given to a commission shop as a loan by the State Government at Dag (Bharatpur) for constructing a seed store. Likewise another loan of Rs. 3,000/- was granted to another society at Gopalgarh. A noteworthy feature of the marketing co-operatives in the State is the organization of social service societies which included transport societies. The Rajasthan Co-operative Flying Club and the City Bus Service at Jaipur are run on co-operative lines, being bodies registered under the Co-operative Societies Act. It is reported that responsible officers of the State, including the Chief Minister, are members of the Flying Club.

XV. SAURASHTRA STATE

At the end of 1951-52, there were nine purchase and sale unions established at the Taluka and Mahal levels, for doing supply and distribution work, there being no marketing co-operatives as such in the State. The purchase and sale unions had a share capital of Rs. 73,407/- and a working capital of Rs. 1,84,487/- The deposits held by them stood at Rs. 46,780. They received and marketed goods valued at Rs. 15.75 lakhs, and Rs. 15.69 lakhs respectively. The goods sold by them included agricultural produce of members as well as that of outsiders. Manure, cement, iron and steel and implements were sold by them. A few of these societies have also attempted to sell their members' produce on a commission basis.

XVI. TRAVANCORE-COCHIN

Co-operative Marketing of Agricultural Produce

Co-operative marketing in the State has not developed to any appreciable extent and there were only seven marketing societies at the end of 1953-54. Their membership consisted of 3,086 individuals and 123 societies, with a paid-up share capital of only Rs. 5,000/-. They distributed goods to their members to the extent of Rs. 46,000/- in their capacity as owners. There was only one Central Co-operative Marketing Society which handled industrial products and distributed handloom cloth as well. The marketing co-operatives in the State do not act as grading and pooling agencies, nor are any storage facilities available to them. The Central Co-operative Marketing Society received a sum of Rs. 1.5 lakhs under an overdraft arrangement from the Cochin Central Co-operative Bank, Ltd. It had also received a loan from Government to the extent of Rs. 50,000/-.

I. Primary Co-operative Milk Sale Societies

It is satisfactory to note that since there are several milk pockets in the State, some progress has been made in organizing the production and marketing of milk on co-operative lines. The Dairy Development Scheme sanctioned by the State Government envisages the organization of co-operative milk producing

societies in villages and federating them into unions of proper size for increasing the supply of quality milk produced under sanitary conditions at reasonable prices to cities and towns in the State. The sub-joined statement shows the comparative statistics of co-operative societies in the State:—

	1950	1954
(1) No. of Societies	2	20
(2) No. of Families engaged in the business	21	670
(3) No. of Animals milked	32	889
(4) Production of milk in lbs.	211	8,32,300
(5) Production of curd in lbs.	1,700	1,42,500
(6) Butter produced in lbs.	17	890
(7) Ghee produced in lbs.	100	4,850
(8) Value of milk produced (Rs.)	5,000	4,15,800

There were six milk marketing unions in the State including the one at Trivendrum, which had a membership of 1,582 and a paid-up share capital of Rs. 5,685/-. Statutory and other reserve funds amounted to Rs. 62,715/- at the close of 1953-54. The Dairy Development Scheme formulated by the State Government includes cattle insurance as well. It provides monetary compensation to the owners of the insured cattle in the event of mortality or decease or death. Benefits of the scheme are restricted to animals stabled in well-organized dairies and whose ages are between 3 and 10 years for cows and buffaloes respectively. All the primary societies and unions have incorporated in their bye-laws necessary provision for insurance. The State Government sanctioned subsidies to Milk Unions and all the primary milk producers societies during the year 1953-54. It has also recognized the Milk Union at Trivendrum as its contractor for the supply of milk to the State hospitals in the State. Further the State Government has also exempted milk produced and sold by co-operatives from the purview of sales tax.

II. Palm-Gur Co-operative Societies

There were at the end of 1952-53 22 palm-gur societies having a membership of 3,440 and a paid-up share capital of Rs. 18,776/-. They had a working capital of Rs. 50,432. The production and sale of Juggery of these societies amounted to Rs. 2,91,088 and

Rs. 3,08,596, respectively. These societies received during the year Rs. 2,500 as grant-in-aid from the State Government.

XVII. AJMER

Co-operative Marketing of Agricultural Produce

There were no societies undertaking marketing of agricultural products as such in the State. On 30-6-53 there were seven sale and supply societies, besides one purchase and sale federation and a commission shop. They had a membership of 157 with working capital of Rs. 41,000/-. They were chiefly engaged in supply and distribution of essential commodities in rural areas and goods valued at Rs. 25,293/- were supplied by them during the year 1953-54. At the end of 1953-54, the number of sale and supply unions rose to 10 including one Federation of Purchase and Sale Societies and another Federation of Industrial Societies and a Commission Shop. They had a membership of 196 and working capital of Rs. 2.52 lakhs. As a result of decontrol of foodgrains and cloth, the turnover of business dwindled appreciably and purchases and sales during the year amounted to only Rs. 23,000 and Rs. 25,000/- respectively. There was a slight decline in the working capital also. The loss on the working of these institutions was reduced to 7,104 from 11,082 of the previous year.

XVIII. BHOPAL

There were no marketing co-operatives in the State. During the period of the Second Five Year Plan the Government of Bhopal has decided to establish two central marketing and warehousing co-operative societies and twenty primary credit and marketing societies at Tahsil headquarters and marketing centres in the State. These societies will extend facilities of credit and storage to enable cultivators to get a fair price for their agricultural produce.

XIX. COORG

Co-operative Marketing of Agricultural Produce

Co-operative marketing of agricultural produce in the State has made steady progress. There were at the end of 1954, 16

regional Marketing Societies, 3 specialized societies, viz., the Provincial Cardamum Marketing Society, the Provincial Honey and Wax Producers' Society and the Orange-Growers' Society. In addition to these, there was one Provincial Marketing Federation. The primary marketing societies functioned as sub-agents of the Coorg Provincial Co-operative Marketing Federation in the procurement of surplus paddy for export outside the State. With the removal of controls over the movement of paddy, these societies have to play an important role in their legitimate work and help the producer in the sale of his produce with a view to obtaining a fair price. With the introduction of the Scheme of Crop Finance, they would be called upon to bear greater responsibilities in the matter of handling produce which is collected in repayment of loans. A few of the societies in the State have their own godowns and the State Government has also been giving them grants in order to encourage societies to put up godowns. Despite these arrangements, it is found that the storage capacity required is still inadequate to meet the growing needs. It may be noted that the State Government has made subsidies to the extent of Rs. 30,000 up to the year 1953 and granted loans to the extent of Rs. 70,000 towards meeting the cost of constructions of godowns. During the year 1954-55, loans for construction of godowns were made to the extent of Rs. 2,92,000/-. The subjoined table indicates the progress made by the Regional marketing Societies during a period of two years ending 30th June 1954:—

	1952-53	1953-54
(1) No. of Societies	15	16
(2) No. of Members :		
(a) Individuals	2,908	3,247
(b) Societies	212	198
(8) Paid-up Share Capital (in lakhs) ...	0.34	0.36
(4) Loans issued during the year	0.34	4.80
(5) Value of goods distributed to members :		
(i) Sold as Owners (in lakhs) ...	3.82	5.43
(ii) Sold as Agents	—	—
(6) Value of Members' goods sold (in lakhs)	0.02	N.A.
(7) Net profit or loss (in lakhs)	0.07	0.04

Coorg grows valuable money crops like coffee, cardamum, pepper, rubber and honey. The Provincial Cardamm Marketing Society

is a multi-purpose society situated at Mercara dealing, besides cardamum, in diverse articles like agricultural implements, cloth, sugar and ammunition. It had a membership of 566 with a paid-up share capital of Rs. 13,528/- at the end of the year 1953-54. It sold 341 tons of cardamum valued at Rs. 4,17,117/- during the same year. A scheme to integrate the work of other societies is now being tried with the object of establishing a Marketing Centre for Coorg. The Coorg Honey and Wax Producers' Society, Ltd., is another society, having the whole of the State as its area of operation. It had a membership of 472 including 194 societies and a paid-up share capital of Rs. 11,004. The Society purchases raw honey and processes it in the plant set up and then markets the honey so produced. It is reported that about 30,000 lbs. of honey are annually produced which is exported outside the State, as the Society has built up contacts with wholesale stores elsewhere. During the year 1953-54, the Society is reported to have sold honey worth Rs. 3,63,367/-. The Coorg Orange-Growers' Society is another example of a Provincial Society which handles nearly one-fifth of the total produce in the State. At the close of 1953-54, it had a membership of 472 with a paid-up share capital of Rs. 11,004. It sold oranges worth Rs. 1,56,655/- to its Branches opened in different places outside the State. Societies dealing in cardamum, honey and oranges, pool and grade the produce of their members, while the Regional Co-operative Marketing Societies dealing in paddy only pool the produce. They act as Financing Agencies to their members and obtain funds for the purpose from the State Co-operative Bank. The godowns owned by the societies are reported to have storage capacity equivalent to one-fifth of the total marketing surplus in the State. The Cardamum Society is reported to be making crop loans to its members and collects the produce in repayment of such loans and grades the same before sale.

The Coorg Provincial Co-operative Marketing Federation, Virajpet

The growth of non-credit co-operative organizations in the State necessitated the formation of an apex organization to co-ordinate the activities of all producers' and consumers' organizations and multi-purpose societies in the year 1943. The aims

and objects as embodied in the bye-laws of the Provincial Federation differ very little from those found in the bye-laws of State Marketing Societies in other States.

(a) *Membership and Share Capital.*—The authorized share capital of the Federation is Rs. 100,000/- made up to 700 'A' class shares of Rs. 100/- each, 600 'B' class shares of Rs. 25/- each and 1500 'C' class shares of Rs. 10/- each. Its paid-up share capital as on 30-6-1954 stood at Rs. 16,630/-. 'A' class shares are open to producers' and consumers' societies and the State Co-operative Bank, while 'B' class shares can be held by Unions and Urban Banks and all non-credit societies. 'C' class shares can be held by other co-operative credit societies, employees of the Federation, their sureties and Agents of the Federation. The value of a share is required to be paid in one lump sum on allotment. The liability of members is limited. 'C' class shareholders have no right of voting in the meetings of the Federation, nor can they participate in its management. The bye-laws also provide that the number of individual members should not exceed 200. A member is required to take at least one share, while every 'A' class member is required to take two shares in addition to his paying an entrance fee of Re. 1 for each share taken, provided that the total payment of entrance fees paid by a member does not exceed Rs. 5/-. No individual member is allowed to take more than one share.

(b) *Management.*—Subject to the control of the General Body, the executive management of the affairs of the Federation vests in a Board of Directors consisting of 15 members, of whom the President of the Coorg State Co-operative Bank would be one. The members of the Board of Directors are elected by the General Body for a period of three years from among the 'A' class members. The day-to-day affairs of the Federation can be delegated to the Executive Committee consisting of seven members. The President, the Vice-President and the Honorary Secretary are *ex-officio* members of the Executive Committee and the remaining members are elected by the Board from among themselves.

(c) *Activities of the Federation.*—The Federation distributed iron goods, cement, agricultural implements, kerosene oil, arms and ammunition etc., valued at Rs. 3,49,644/- and earned a gross

profit of Rs. 18,879/- during the year 1951-52 and a net profit of Rs. 4,477 during 1952-53. The Federation continued to be the sole agent for import of iron and steel materials. It also continued importing and distributing coffee seeds to the consumers in the State as Chief Agent through the primary co-operative societies. During the year 1954, it distributed agricultural implements, iron goods, arms and ammunition and coffee valued at Rs. 1,96,867/- and earned a gross profit of Rs. 16,610. It also distributed iron and steel materials worth Rs. 1,44,560/-. It earned a net profit of Rs. 1,156/- as against Rs. 4,477/- of the previous year. The decline in the amount of net profit during the year is reported to be due to the reduction in the volume of controlled goods brought about with the removal of controls during the year 1954. As controls were removed over paddy, the Provincial Federation had to make necessary arrangements for holding over stocks of paddy of the primary producers for a better market in godowns obtained for the purpose. Advances against stocks of paddy also were made up to 60 to 75% of the market value of stock pledged in order to meet the urgent needs of members of primary marketing societies in the State. This arrangement resulted in the improvement of the paddy market and in a rise in the price of paddy to the extent of Rs. 200 per cart-load.

(d) *Financial Position of the Federation.*—The sub-joined table gives statistics relating to the working of the Provincial Federation for a period of three years ending 30th June, 1954:—

	1951-52	1952-53	1953-54
	Rs.	Rs.	Rs.
(1) Paid-up Share Capital ...	17,468	17,480	16,630
(2) Reserve and other funds...	51,404	51,240	57,535
(3) Loans due to the State Co-operative Bank ...	53,071	53,227	25,000
(4) Loans outstanding against members ...	8,782	25,107	12,531
(5) Value of goods distributed	3,49,644/- (for both years)		3,41,427
(6) Net Profit ...	N.A.	4,477	1,156

The steady progress of marketing co-operatives in the State is reported to be due to the initiative and enthusiasm displayed

by a former Registrar of Co-operative Societies in the State (Shri P. M. Chengappa).

XX. HIMACHAL PRADESH

The main work of marketing agricultural produce in the State is generally done by the multi-purpose co-operatives. There were, at the close of the year 1952-53, 201 multi-purpose societies with a membership of 12,734 and a paid-up share capital of Rs. 5.83 lakhs. Their total working capital stood at Rs. 12.72 lakhs. They received goods valued at Rs. 30.86 lakhs and sold goods worth Rs. 31.13 lakhs. At Tahsil and District levels, there are Tahsil Unions and District Federations. During the year the State Government approved of a proposal that primaries may be members of Tahsil Unions, that Tahsil Unions be members of District Federations and District Federations alone should be members of the State Federation. The Himachal Pradesh State Co-operative Development Federation had a membership of 54 during 1952-53, which rose to 81 at the close of 1953-54. Its paid-up share capital rose to 14,000 as against Rs. 6,000 of the preceding year. The amount of loans issued during the year was Rs. 2.04 lakhs, and the value of goods distributed as owner amounted to Rs. 42,000/-. The Federation earned a net profit of Rs. 4,000/- on its working during the year 1953-54. There were four District Federations, one each at Mandy, Mahasu, Chamba and Shirmur. The sub-joined table gives operations of these Federations during the two years ending 30th June 1954 :—

	1952-53	1953-54
(1) No. of Societies	5	4
(2) Membership :		
(a) Individuals	487	377
(b) Societies	170	186
(3) Paid-up Share Capital (in lakhs) ...	1.85	1.85
(4) Loans issued during the year (in lakhs)	6.05	N.A.
(5) Value of goods distributed :		
(a) Sold as Owners	94.80	89.38
(b) Sold as Agents	Nil	Nil
(6) Net Profit or Loss (in lakhs)	+ 1.84 — 0.07	+ 1.02 — 0.02

The major marketing operations are undertaken in the District of Mahasu which grows potatoes and apples which are the exportable commodities of the District. The primary multi-purpose societies act as a pooling and grading agency in their own areas at the Depots fixed. The District Federation at Mahasu finances the multi-purpose societies in order to enable the latter to make payment to the growers at a tentative price, for the potatoes delivered by them at the depots. The Mahasu District Federation, otherwise known as the Kailash Co-operative Multi-purpose Association, is a typical marketing organization in the State. Primary multi-purpose societies are its members. In the potato season at convenient places on the motor road, each society opens a depot for receiving potatoes from growers. These are graded and then bagged, and sent to the rail head at Simla through the District Federation, Mahasu. The bags are then sent out from Simla. In this way the Kailash Association marketed, during the 1952-53 season, 2,56,642 maunds of seed potatoes. This quantity rose to 4,70,026 maunds during 1953-54. The Marketing Federations are being financed for the purpose of marketing seed potatoes and apples by central financing agencies in the State and the State Government. The volume of finance supplied is indicated below :—

				1952-53	1953-54
				Rs.	Rs.
(1)	Co-operative Financing Agencies				
	(in lakhs)	...	...	37.67	11.08
(2)	State Government (in lakhs)	...	...	Nil	5.00

The rate of interest charged by the central financing agencies was $6\frac{1}{2}\%$, while the rate charged by Government was $4\frac{1}{2}\%$. The Government loan was specifically granted for marketing potatoes, which are graded at the collecting depots under the supervision of the officers of the Department of Agriculture. The Provincial Marketing Federation has undertaken the work of marketing for the first time and has not done any appreciable business.

Co-operative marketing of apples is as yet in its infancy. Since the primary multi-purpose societies disposed of their produce through the District Federations and the Apex institutions, credit gets linked to marketing through the multi-purpose societies.

XXI. KUTCH

There were no marketing societies in the State.

XXII. MANIPUR

There were no marketing societies in the State.

XXIII. TRIPURA STATE

At the close of the co-operative year 1953-54, there were only two co-operative purchase and sale societies in the State, which handled commodities like rice, paddy, mustard seed and jute. A very small quantity of produce was sold by members of these societies. They had a membership of 387 and a paid-up share capital of Rs. 19,000/-. They distributed goods worth Rs. 30,000/- to their members and marketed goods of members worth Rs. 1,000 only. Marketing co-operatives as such are yet to be organized in the State.

XXIV. BHOPAL

There were no marketing societies in the State.

XXV. VINDYA PRADESH

There were no marketing societies in the State.

XXVI. DELHI STATE

Vegetable-Growers' Societies and their Association

Co-operative marketing of agricultural products in the State has not developed in any market. There are, however, a few vegetable-growers' societies and a good number of dairies also in the State. Under the scheme relating to Vegetable-growers' co-operative societies sanctioned by the Government of India, the Delhi Vegetable-Growers' Association, Ltd., was formed to improve the transport and marketing of vegetables of member-societies. At the end of 1954, it had a membership of 31 with a paid-up share capital of Rs. 2,500/-. Its working capital stood at Rs. 64,089. The Association undertook the transport and sale of produce of members of affiliated societies. During 1954, 8,750 maunds of vegetables and 6,072 maunds of fodder of members were transported to the market. The number of vegetable-growers' societies during the year 1954 rose to 45 as against 31 of the previous year, and their

membership increased from 495 to 687. Similarly, there was a rise in the working capital from Rs. 3,963/- to Rs.12,826/-. These societies transported 7,623 maunds of vegetables and Rs. 4,454 maunds of fodder to the market. In order to provide irrigational facilities, six more oil engines with pumping sets were installed, thus bringing their total number to 33.

II. Dairy Societies

The number of dairy societies rose during the year to 46 from 44 of the preceding year. Similarly, their membership and working capital also increased from 874 and Rs. 1,01,814/- to Rs. 975 and Rs. 1,36,664/- respectively. They supplied pure milk and milk products valued at Rs. 1,50,552/- during the year. They also supplied concentrates and fodder worth Rs. 1,47,538/- to their members at competitive rates. The societies were in receipt of a loan of Rs. 31,500/- from the Government for dairying purposes, out of which Rs. 20,000/- went to societies run by the displaced persons. The rate of interest charged varied from $2\frac{1}{2}\%$ in the case of refugees' societies to $4\frac{1}{2}\%$ in the case of societies working in the community-projects areas. The Jhalkaranjee Co-operative Milk Producers' Society, Ltd., which was organized with a view to rehabilitating displaced milk producers is a dairy-cum-housing society. It received 136 residential plots from the Delhi Improvement Trust, and a loan of Rs. 2,00,000/- from the Government for the purpose of putting up houses and cattle-sheds according to an approved plan.

XXVII. JAMMU AND KASHMIR

Co-operative Marketing of Agricultural Produce.

There are no marketing co-operatives as such in the State. But the Multi-Purpose Co-operative Societies grant crop loans to their members and produce is collected and received in repayment of these loans. It is then passed on to the Co-operative Unions of Consumers' Stores for the purpose of marketing. The Unions' and Stores market the produce so received as agents on a commission basis. If, however, they are not in a position to sell it in the local markets, they pass it on to the Apex Co-operative Marketing Organization for sale. During the year 1953-54 the

State or Apex Marketing Society was in receipt of financial accommodation from the State Co-operative Bank to the extent of Rs. 305,562/-. There are no storage facilities, in the State nor is grading and pooling of products undertaken by the Societies. The Apex Marketing Society does undertake sale and supply work also. The Stores and the Unions in the State are affiliated to this institution. Individuals are also eligible for admission to the membership of the apex society. The multi-purpose societies get through the agency of Unions and Stores the requisite supplies required by them from the apex organization, and pass on the agricultural products collected by them through the same channels to the Apex Society for sale if the produce cannot be sold in the local markets. The sub-joined table gives statistics relating to the marketing of the Apex Marketing and Supply Society at the end of 1954 :—

					Rs.
(1)	Membership :—				
	(a) Individuals	...	...	...	33
	(b) Societies	...	...	...
(2)	Paid-up Share Capital	...	...	...	25,530
(3)	Loans issued during the year (in lakhs)	...	...	...	74.18
(4)	Value of goods distributed to members (in lakhs)	...	...	...	74.18
(5)	Amount of commission earned	...	...	...	33,192
(6)	Net profit	...	...	...	17,227

XXVIII. PEPSU STATE

Co-operative Marketing of Agricultural Products.

Out of 61 primary marketing societies in the State, 35 were Grain-Dealers' Associations, 18 were purchase and sale societies, 5 marketing unions and 3 commission shops. Besides these, there was a Central Grain-dealers' Syndicate at Patiala. Almost at every important marketing centre, a Grain-dealers' Co-operative Association is established. The membership of a Grain-Dealers Co-operative Association consisted of license-holders, who dealt in grain and procured foodgrains on behalf of Government. The Associations were affiliated to the Central Grain-dealers' Co-operative Syndicate, Ltd., Patiala, which assisted them in the purchase, sale and export of foodgrains from the State. With the

decontrol of foodgrains, the working of the Grain-dealers' Associations and of the Syndicate as well has come to a deadstop. The process of liquidating these moribund associations has already started and actually three of them have already been wound up.

As regards Marketing Unions, they admit both societies and individuals to their membership, and they have their headquarters at various grain markets in urban areas. Members of societies and other individual members take their produce direct to the Union for sale, despite the strong opposition of local grain-dealers. It is reported that the Unions are managing their affairs well. Loans to members against stocks are made and the produce is sold on the very day on which it is brought for sale, but if prices are unfavourable, sale is postponed. The Unions obtain finance from the central financing agencies in the State, and the amount of finance received during the year 1954 was Rs. 56,834/- repayable on demand. It is also reported that 17 marketing societies in the State have not yet started work. The State Government has sanctioned a sum of Rs. 15,000/- as a subsidy to be paid to marketing unions to meet a part of their cost of establishment and supervision. The sub-joined table indicates the operations of co-operative marketing societies in the State for the two years ending 30th June 1954 :—

	1952-53	1953-54
(1) No. of Societies	42	62
(2) Membership :—		
(i) Individuals	1,472	1,986
(ii) Societies	24	122
	Rs.	Rs.
(3) Paid-up Share Capital (in lakhs) ...	3.0	3.0
(4) Loans issued during the year (in lakhs)	111.70	53.40
(5) Value of goods distributed to members :		
(i) Sold as owners (in lakhs) ...	8.60	6.80
(ii) Sold as agents (in lakhs) ...	11.30	20.70

All sorts of agricultural produce were marketed, the main commodities handled being wheat, paddy, maize and barley.

General Observations on the Working of Marketing Co-operatives in the Indian Union

In the foregoing pages the position of the Co-operative Marketing Movement in each of the various States in the Indian Union was reviewed, and it is now proposed to present a consolidated picture of the Co-operative Marketing Movement on an All-India basis, at all the levels, viz., primary, intermediate and apex. The three sub-joined tables indicate the operations of primary marketing co-operatives, the Regional Federations and the Apex institutions in the Indian Union, for a period of three years ended 30th June 1954.

TABLE No. 1
Primaries (Marketing Co-operatives)

				<i>(Amounts in lakhs)</i>		
				1951-52	1952-53	1953-54
(1)	No. of Societies ...	...	8,264	8,816	9,240	
(2)	Membership :—					
	(i) Individuals ...	...	8,45,279	9,07,484	9,18,344	
	(ii) Societies ...	...	8,241	7,415	9,778	
(3)	Paid-up Share Capital ...	...	198.32	194.65	193.79	
(4)	Loans issued during the year ...	...	1112.82	861.23	743.30	
(5)	Value of goods distributed to members :—					
	(i) Sold as Owners ...	...	1,914.29	530.42	447.70	
	(ii) Sold as Agents ...	...	1,532.97	248.37	210.09	
(6)	Value of Members' Goods marketed :—					
	(i) As Owners ...	...	N.A.*	749.77	594.00	
	(ii) As Agents ...	...	N.A.*	1,077.84	939.89	
(7)	Profit (+) or Loss (&) ...	...	+52.95 —6.96	+26.12 —14.04	+24.00 —27.63	

TABLE No. 2
Marketing Unions or Federations

				<i>(Amounts in lakhs)</i>		
				1951-52	1952-53	1953-54
(1)	No. of Societies ...	...	1,996	2,057	2,125	
(2)	Membership :—					
	(a) Individuals ...	...	15,13,627	15,56,229	16,11,225	
	(b) Societies ...	...	36,281	38,615	39,974	

	1951-52	1952-53	1953-54
(3) Paid-up Share Capital	139.44	156.46	172.96
(4) Loans issued during the year	712.43	376.26	430.61
(5) Value of Goods distributed to members :—			
(a) Sold as Owners ...	2,500.46	817.03	835.36
(b) Sold as Agents ...	2,906.90	2,039.63	1,640.22
(6) Value of Members' goods :			
(a) Sold as Owners	—	37.28	42.70
(b) Sold as Agents ...	—	373.27	223.54
(7) Profit or Loss	+81.58 —9.70	+55.46 —18.05	+41.22 —24.69

TABLE NO. 3

Apex or State Marketing Societies

(Amounts in lakhs)

	1951-52	1952-53	1953-54
(1) No. of Societies	17	16	16
(2) Membership :			
(a) Individuals	2,603	4,102	2,870
(b) Societies	3,623	4,628	3,679
(3) Paid-up Share Capital ...	32.00	24.96	25.30
(4) Loans issued during the year	540.42	317.66	267.13
(5) Value of Goods distributed to members :—			
(a) Sold as Owners ...	1,443.26	290.39	214.20
(b) Sold as Agents ...	14.25	22.23	57.76
(6) Value of Members' Goods sold :—			
(a) As Owners	—	2.35	0.95
(b) As Agents	—	120.95	12.73
(7) Profit or Loss	+24.14 —1.00	+4.95 —0.35	+0.87 —2.57

Note:—These statistics are taken from the Review of Co-op. Movement in India, 1951-52 and 1953-54 by the Reserve Bank of India.

2. It will be seen from the above statistics that the number of primary marketing co-operatives has gone up by about 1,000 over the figure for 1951-52. This increase is largely accounted for by about 660 fresh registrations of Co-operative Cane Supply Societies in the Bihar State. Similarly, the number of Marketing Unions or Federations has gone up about 130 over the 1951-52 figure. There was a reduction in the number of State or Apex Institutions by 1. Included in the number of State Marketing Co-operatives as on 30th June 1954 are three specialized market-

ing societies in Coorg, which have as their area of operation the whole of the State. These are really not Apex institutions and the number of Apex institutions stand at 13 if these are excluded. There has been a satisfactory rise in the number of members of primary, regional and apex institutions both with regard to individuals and societies. The amount of paid-up share capital rose by about 32 lakhs in the case of Marketing Federations, while in the case of Primary Societies and Apex Institutions, a decline was in evidence. Similarly, there was reduction in the amount of loans issued in all the three types of institutions. As regards the value of goods distributed to members in the case of Primary Societies, the volume of business handled dwindled from 34 crores to only 6½ crores and similarly the value of members' goods marketed went down from 1,827 lakhs to 1,533 lakhs. In the case of Apex Marketing Societies also, the fall in business was similarly steep, the amount of business having gone down from 2,720 lakhs to 1,457 lakhs. In the case of Marketing Federations, the decline was from 4,406 lakhs to Rs. 2,475 lakhs. These statistics are significant in that they disclose that a large majority of Marketing Co-operatives were engaged primarily in the procurement of food grains and in the distribution of controlled and rationed articles like cereals, pulses, sugar, kerosene, iron and steel and cement. They were acting generally as the authorized distributors of these articles on behalf of Government and there was practically very little scope for the development of activities in connection with the marketing of produce of their members. Thus marketing in its true sense was non-existent during the period covered by controls. Their work was necessarily conditioned by the restrictions that were imposed as a result of ban on movement of foodgrains and other commodities. The removal of controls started about the year 1951-52 and was practically completed during the two succeeding years, and the business of supply of large quantities of foodgrains and other commodities handled by the Marketing Co-operatives came to an end with the decontrol and de-rationing of articles. The business in controlled commodities as evidenced by the preponderance of sale of commodities by the Marketing Co-operatives as owners and not as agents, which was in evidence during the year 1951-52, considerably declined towards the close of the co-operative year 1954. Thus the Marketing Co-

operatives became free to operate within the framework of market economy, which was progressively freed from war-time and post-war restrictions. The statistics indicate obviously that the disappearance of controls led to the loss of business in controlled commodities, which consequently led to the loss of earnings or income for the Marketing Co-operatives. This is evident in all the three types of Marketing Societies. In the case of Primary Marketing Co-operatives, profits declined from about 53 lakhs in 1952 to 27 lakhs in 1954, and the figure of loss incurred by some societies rose from 7 to 27 lakhs. The same trend is likewise noticeable in the case of Marketing Unions or Federations. Their net profit dwindled from 81.5 lakhs in 1952 to 41.2 lakhs at the end of the year 1954. The figure of loss incurred by some Federations, which stood at 9.7 lakhs at the end of 1952, rose to 24.6 lakhs by the close of the year 1954. This steepness of fall in the figure of profit is still more marked in the case of apex institutions. The amount of profit came down from 24 lakhs to less than a lakh and losses increased from Rs. 1 lakh to 2½ lakhs. This is as a sequel to the withdrawal of controls and consequent loss of business entailed in the case of a large number of Central, Primary and Apex organizations that had come into being during the period of controls to act as authorized distributors of controlled and rationed commodities. The problem of how to keep their head above water has to be faced by many Marketing Co-operatives in several States, and unless they are helped to take up their legitimate activities connected with the marketing of agricultural produce, and necessary conditions created for proper functioning, many will have to be wound up. In this connection, the review of Co-operative Movement in India has, in Chapter V, relating to the Review of Co-operative Marketing for 1950-52 by the Reserve Bank of India has rightly stressed this aspect and it says :—

“..... The task of promoting co-operative marketing is one beset with many difficulties arising from the fact that marketing is only part of a wider network of services which include financing, collecting, grading, pooling, processing, transport and storage. The private trader is more advantageously situated in respect of the provision of these services than the co-operative marketing society and before marketing co-operatives could effect-

ively compete with the private traders, not only should they be enabled to offer at least some of these services but Government should also help to improve the existing conditions in matters like communications, transport facilities and storage accommodation for agricultural produce. While these are some of the more fundamental factors which condition the progress of co-operative marketing, of more recent significance was the imposition of controls—particularly those on foodgrains—which gave a set-back to the marketing activities of such societies. ... ”

The co-operative marketing structure as it has grown and developed in India presents certain inherent weaknesses of its own. In the first place, though modelled on the pyramidal form of the credit structure, it is not a well-knit organization, as the units at different levels are working independently of each other. The primary units at the base are not necessarily functioning as feeders of the higher units, nor do higher units operate entirely for the benefit of the lower units, functioning as they do more or less as independent trading agencies. In the second place, they admit individuals to their membership instead of restricting it to co-operatives alone, nor has the development of co-operative marketing societies been even, judged from their working in many States. There are still many areas which can be described as ‘deserts’ in the field of co-operative marketing and even in a co-operatively advanced State like Bombay, the standard of management of many purchase and sale unions leaves much to be desired. It is also unfortunate that the State Marketing Co-operatives in the two States of Bombay and Madras—the two co-operatively developed States—should, by a strange coincidence, have failed to come up to expectations and it is reported that the affairs of the Madras State Co-operative Marketing Society have been already wound up because of mismanagement and misappropriation of funds. The State Co-operative Marketing Society in Bombay also has fared no better, and its reorganization would have to be taken up early by the State Government or its affairs wound up and a fresh organization established in its place.*

3. One of the major problems which the Marketing Co-operatives have been called upon to face continues to be finance

* Its affairs are already wound up.

Marketing Co-operatives require funds for making loans to agriculturists on the pledge of produce in order to enable them to wait for a better market, instead of being compelled to sell their produce in a glutted market under the pressure of urgent financial needs. In a few States like Bombay, Madras and Andhra, the necessary financial accommodation was obtained from the Central Financing Agencies, which in their turn, obtained a part of their funds from the Reserve Bank of India. In a few other States the societies relied on their own resources, supplementing the same with deposits obtained from non-members. One of the ways of raising marketing finance at cheaper rates of interest is the establishment of licensed warehouses, so that financial accommodation could percolate from the Reserve Bank of India through Scheduled and State Co-operative Banks against the security of warehouse receipts under Section 17(4)(d) of the Reserve Bank of India Act. Some of the States like Bombay, Madras, Madhya Pradesh and Hyderabad have passed the necessary Warehouse Legislation, but so far no appreciable progress has been recorded in establishing a network of licensed warehouses. In cases where a few warehouses have been set up, as in the Bombay State, it has been found that the cultivators in general have not come forward to avail themselves of the facilities to any appreciable extent and it is the middlemen-stockists that have taken advantage of the storage facilities thus afforded. No doubt in a few States like Bombay, Madras and Andhra, the State Governments have helped the Marketing Co-operatives with loans and subsidies for the construction of godowns and it is not known as to how many of these would be suitable for conversion into licensed warehouses later, if such a step were decided upon. Further, it may be noted that pooling and grading of produce have not been attempted except in a very few States, nor has development of processing on co-operative basis yet reached appreciable dimensions anywhere. It is only in the Bombay State that processing of cotton has been undertaken on a systematic basis by the Co-operative Cotton Sale Societies in Gujerat, while their counterparts in Karnatak do grading only. A few of the Cotton Sale Societies in Madras also own gins in which the produce sold through them is ginned. A few marketing societies handling paddy are also reported to have erected rice mills for husking paddy, and a few Marketing Societies deal-

ing in groundnut have erected decorticators. It is only during recent years that significant progress with regard to processing activities by farmers has been made in respect of sugar-cane in the Bombay State referred to elsewhere already.

4. A brief reference to the shortcomings of marketing societies or deficiencies in their working and to factors that retard their development has been made in the foregoing paragraphs, with a view to emphasising the fact that marketing of agricultural produce is a difficult problem and would continue to be so in the years to come. Dr. Panjabrao Deshmukh, Minister for Food and Agriculture in the Central Government, in his address to the Conference on Marketing recently held at Hyderabad, rightly pointed out that marketing is not merely a question of holding up prices but 'it is a question of so ordering the entire range of production and distribution that the benefit of every measure will accrue directly and visibly to the person who works on the land and who forms the backbone of the country's teeming population. Incidentally this is bound to confer considerable benefit on the consumers also. We have to view every proposed measure from this angle of vision and direct our efforts for securing this objective. Thus if regulated markets are to be established, they have to be so operated that the grower will have an effective voice in their management. If grading and standardization of agricultural produce is to be done more systematically and on a large scale, the primary producer should be able to share in the facilities and get a better return for quality products. Transport arrangements and freight rates should be so worked as to enable the grower to have access to wider markets. The construction of warehouses and godowns should be so planned and developed that he would be the primary beneficiary. The announcements of trade policy, particularly regarding the allocation of quotas in foreign trade should be so timed, arranged and adjusted in volume as to benefit materially the cultivating class. In fact, the whole programme of improvement of agricultural marketing has to be conceived as a definite and a very material part of the general plan, whose central objective is the raising of the standard of income and of living of the common man. The schemes of warehousing co-operative marketing, regulation of markets, market news, fixation

of grades and standard, are different facets of the same problem. There is no conflict of interests as every well-planned and co-ordinated action in these fields will lesson the difficulties of the producer.

5. The Committee of Direction of the All India Rural Credit Survey has made many useful recommendations regarding the development of activities relating to co-operative marketing, processing, storage and warehousing, which were reviewed and endorsed by the All India State Ministers' Conference held at Delhi on 16th April 1955. In accordance with the directives of this Conference, an integrated programme of co-operative development, embracing all forms of co-operative activity has been drawn up and is proposed to be put into practice during the period of the Second Five-Year Plan. This programme visualizes the organization of about 12,000 larger sized primary agricultural credit societies which would also act as agents of the marketing societies for distribution of agricultural requisities and collection of agricultural produce for sale. Each will have a small godown of its own. It is expected that during the Second Five-Year Plan period about 5,000 of such godowns will be constructed for the storage accommodation needed by the larger-sized primary credit societies. About 1,700 primary marketing societies are proposed to be organized, each covering the region served by a mandi. It is proposed to construct about 1,700 godowns in the next five years to meet the requirements of the marketing societies. In addition, there will also be licensed warehouses, of which it is expected that about 350 will come into existence by 1960-61. According to the new programme, the State will be contributing to the share capital of marketing societies at all levels and subsidizing the construction of godowns. The contribution towards the share capital of marketing societies is likely to be of the order of Rs. 6 crores. The loans for the construction of godowns is expected to be of the order of 3.3 crores, and the subsidies Rs. 1.16 crores. In addition, it is also proposed to give subsidies for maintaining the staff of marketing and processing societies, which is likely to be of the order of Rs. 1.4 crores in the next five years.

6. In order to widen the margin of income of the agriculturist-producer and place on the market commodities in a form which

will meet demand more effectively, it is also proposed to undertake co-operative processing of as many agricultural commodities as possible. Plans have been drawn up for development programmes for the Second Five-Year Plan in consultation between the Central Government, States and the Reserve Bank of India. The principal targets as already renewed in the co-operative programme which have been worked out in detail for each State are presented below in a consolidated form.

(A) *Credit :—*

(i)	No. of large-sized societies	...	...	12,000
(ii)	Target for short-term credit (Rs.)	...	...	150 crores
(iii)	Target for medium-term (Rs.)	...	...	50 crores
(iv)	Target for long-term (Rs.)	...	...	25 crores

(B) *Marketing and Processing :—*

(i)	No. of Marketing Societies to be organized	...	...	1,700
(ii)	Sugar Factories	...	...	36
(iii)	Cotton Gins	...	...	77
(iv)	Other Pressing Societies including 30 oil-pressing plants and 9 Jute-baling plants	...	...	112

(C) *Warehousing and Storage :—*

(i)	Warehouses of Central and State Corporations	...	...	350
(ii)	Godowns of Marketing Societies	...	...	1,700
(iii)	Godowns of larger sized societies	...	...	5,000

For achieving these targets, the Plan provides for a total amount of about Rs. 48 crores, exclusive of the contribution which the Reserve Bank of India will make.* The Ministry of Food and Agriculture has prepared a draft legislation for establishing Central and State Warehousing Corporation in implementation of the recommendations of the Rural Credit Survey. It is proposed to build up storage capacity of 2 to 2.5 million tons : The Central Warehousing Corporation is expected to put up 100 warehouses, each having storage accommodation of 10,000 to 20,000 tons or more. State Warehousing Corporations are expected to establish about 250 warehouses of 2,000 to 10,000 tons of capacity. Locations for warehouses have been tentatively determined.

One important reason why the agriculturist sells his produce immediately after the harvest practically in the field itself is

* It has been passed into Law *vide* appendix at the end.

the absence of organizations which would help him to arrange the time and the place of distribution of produce in a manner that would ensure the absorption of the surplus at rates favourable to the farmer. If the integrated programme of marketing development visualized above were put into operation, it would enormously increase the bargaining strength of the small primary producer and scope would also be afforded for opening up alternative means of disposing of his produce in the manner dictated by current market conditions. He would also be enabled to hold it up for a better price, if necessary, or process it to satisfy a change in demand or find an outlet in markets outside the State or abroad. The marketing machinery that is going to be set up will also play a vital role in stabilizing prices of agricultural produce : Price variations may be attributed for the most part to imperfect marketing arrangements and the assessment of marketing possibilities by a great number of traders based on uninformed expectations. To the extent that producer and consumer can be brought in closer proximity to each other through the process of integration, removal of transport bottlenecks, creation of organized markets and regulated trading, diffusion of market information throughout the length and breadth of the country, the wide disparities at present noticeable in prices as between different areas would tend to disappear and prices would attain a uniform level throughout the country. Any real progress towards the solution of the rural problem, it should be remembered, demands the co-operation of the farmer himself ; unless he is made conscious of the various problems of marketing, it is idle to expect any tangible results. If he is to be made alive to the problems facing him, he will have to be educated and convinced of the benefits that accrue to him through co-operative and collective action. It is for the Co-operative and Marketing Departments to rouse the interest of the farmers in marketing problems by pushing up marketing extension work not only in community projects areas but also in other regions as well.

REVIEW OF LEGISLATION PERTAINING TO REGULATED MARKETS IN INDIA

PART I

“The regulation of markets is one of the measures that are taken for social evolution. If the producers do not get the full return and instead distributors would get more, there would be no incentive to producers.

“Regulation of markets is not done for causing inconvenience to trade, but it is done so as the trade may run in the interests of producers”.

—SHRI MORARJIBHAI DESAI

“Establishment of regulated markets for regulating purchase and sale of agricultural produce is not final. Goal is to introduce equality in economic sphere by the strength achieved as a result of protection to sellers and systematic administration of market practices.

“It should be propogated that growers should bring clean and clear produce and for which they must be educated”.

—SHRI VAIKUNTHBHAI MEHTA

Mention has already been made in a previous chapter of the various handicaps under which the agriculturist-producer labours under while disposing of his produce in an unregulated or private market. As already referred to, there are great variations in market practices which generally ignore the interests of the sellers who have no voice in the management of these markets. As early as 1928, the Royal Commission on Agriculture commented at length on the defects existing in Indian markets and recommended that they could only be removed by the establishment of Regulated Markets. They further wrote : “We hope

that the establishment of such markets would confer an immense boon on the cultivating class in India. It must indeed, in our view, form an essential part of any ordered plan of agricultural development in this country, for only in this way can the work of the Agricultural Departments be brought to full fruition”.

The findings of the Royal Commission have been fully borne out by the marketing surveys of agricultural commodities carried out by the Directorate of Marketing and Inspection. Regulation of markets and rationalization of market practices and reduction or even elimination of unjust market charges have also been recommended as measures of reform, by the Planning Commission for the improvement of the efficiency of the marketing system and for development of orderly marketing of agricultural produce in this country. It is now universally recognized that one of the most important measures of increasing agricultural production in an economically underdeveloped country like India is the development of a proper system of marketing of agricultural produce for the agriculturist-producer.

There is also another reason, as mentioned by the Expert Committee on the Review of the Bombay Agricultural Produce Markets Act, 1939, as to why these private markets require to be brought within regulatory orbit of the State. Even in an unorganized market the traders as a class have felt the need for introducing certain uniform practices for the conduct of their business, while in the case of well-organized markets they have considered it proper to adopt a set of rules governing their business under the aegis of their Association. They have surrendered their freedom to their Association, which is expected to treat every section of the trade in an impartial manner. No only that, but they have gone one step further in subjecting the working of their Association to the supervision and control of Government. (Vide the powers of the Forward Markets Commission created under the provisions of the Forward Markets Regulation Act, 1952). Even traders would not like to have the chaotic conditions in the markets in which the weakest amongst them can be easily exploited by the strong and the unscrupulous. There are, therefore, stringent provisions in the bye-laws of such Associations against corners or squeezes and the like. This is so because in an Association run on democratic lines, one group or the other is

likely to predominate and act in a manner detrimental to the interests of the weaker section. The intervention of Government, whenever necessary, to hold the scales even is considered necessary and if the case for an impartial authority to intervene is thought to be essential in markets where the dealings are restricted to traders themselves, it stands to reason all the more that in markets where the traders have to deal with agriculturists, there should be an impartial authority also to hold the scales even between traders and non-traders. In the assembling markets where the agriculturist converts his crops into cash, the interests of the agriculturist as producer-seller clash with those of the trader as a buyer. This conflict is superimposed on the conflicting interests of traders themselves. The need for the creation of an impartial statutory agency which can inspire confidence among all the users of the market promote fair trading and deal impartially with one and all, requires no emphasis. When such an agency is created, it must not only be armed with sufficient powers in order to enable it to discharge its functions efficiently but also be supervised and controlled by the Government under whose directions it has to work. This is essential because the traders as a class have not yet fully reconciled themselves to the discipline imposed by the Act, as they have been found to be sparing no efforts to discover the loopholes in the Act, Rules and the Bye-laws in order to escape from the obligations implicit in them. The number of complaints made against the introduction of the Act and the enforcement of its provisions seem to indicate in no uncertain terms that it is no use leaving the regulation of the markets to the good sense of the stronger section using the markets.

The organization of improved methods of agricultural marketing is, therefore, an absolute necessity and is a permanent responsibility of the State. It is gratifying to note that the States in India have already realized this responsibility, and among the various measures undertaken for development of orderly marketing agricultural produce is the enactment of special legislation for the removal of defects in the existing system of agricultural marketing. Development of co-operative marketing and regulation of markets in various agricultural commodities go hand in hand in order to ensure the orderly development of agricultural

marketing, and a brief account of the working of marketing co-operatives in the various States in the Indian Union has already been attempted in the previous chapter, and it is proposed to deal in this chapter with the regulation of markets.

The Need for Special Legislation

Markets are generally regulated in two ways : either under the Bye-laws framed under the Municipal and District Local Boards Acts or by enactment of special legislation for the purpose. The Royal Commission on Agriculture, after considering the question in all its bearings, came to the conclusion that in view of the disadvantages attendant on regulation of markets under the Municipal and Local Boards Acts, that satisfactory regulation could only be secured under State Legislation and the Rules framed thereunder. They wrote in this context : "If the management of regulated markets is left to Municipal Councils or District Boards on which vested interests are always strongly represented and on whom pressure can be brought to bear in various ways, it is very doubtful if the interests of all the parties directly concerned, more especially those of the grower, will be adequately safeguarded. Municipal Councils, it is true, generally have their Market Committee to look after Municipal Markets, but as a rule, the interests of the grower are not represented on them. There is the danger that the markets will be regarded merely as a source of income to the Municipality or the Local Board concerned, and the objects with which they would come to be established will be largely frustrated. There is the further danger that the sites selected for the markets may not be the most suitable. A Municipal Council will naturally wish to have the market situated within the Municipal limits, whereas the site outside the town may often be more convenient, having regard to communications by road and rail".

Objectives of Marketing Legislation

In choosing the method of regulation and providing the requisite machinery therefor certain principles will have to be taken into consideration. In the first place, marketing is a complicated business activity which will have to be handled by experts

only. If this fact is recognized, it becomes necessary to tolerate the existing functionaries operating in the markets, unless the existing socio-economic order is radically changed. The only thing that would be necessary is to make them more market-conscious, so that they may operate in a more fair and equitable manner while dealing with agriculturists. Secondly, agricultural marketing covers a variety of stages from the time the commodity leaves the field to the stage when it reaches the consumer. If the market were expected to function smoothly and efficiently without jolts and jerks, it must have a firm grip over the wide range of activity covering all these stages. A logical corollary of this is that the market must afford facilities for trading, regulate them in an impartial manner, facilitate the speedy settlement of disputes associated with the trading activity and place at the disposal of the buyer and the seller a mechanism under which bargains can be struck and completed without causing any loss to any one. Thirdly, the market should also be in a position to provide the ancillary facilities such as godowns, communication, transport, credit and market intelligence. If, however, the market has not the power or means to make them available, it must try to obtain them with the help of other agencies or from Government. The Royal Commission on Agriculture observed in this connection : " Well regulated markets create in the mind of the cultivator a feeling of confidence and of receiving a fairplay and this is the mood in which he is most ready to accept the new ideas and to strive to improve his agricultural practice. Unless the cultivator can be certain of securing adequate value for the quality and purity of his produce, the effort required for an improvement in these will not be forthcoming ". Moreover, " the establishment of properly regulated markets should act as a powerful agent in bringing about a reform which is much needed primarily in the interests of the cultivator and secondarily in that of all engaged in trade and commerce in India ". It also thought that " the regulated markets should prove a most useful channel for the propaganda work of the Agricultural Departments.....We think that a valuable stimulus to thrift would be given if, in every important market, an office of a co-operative credit society receiving deposits or, where this is not feasible, a branch of post-office savings bank where opened.

The possibilities offered by regulated markets for the extension of banking business generally will no doubt receive due attention from the joint stock banking companies”.

The Limited Scope of Marketing Legislation

A question is often asked as to what should be the legitimate sphere of marketing legislation, and the answer would obviously depend upon what we consider to be the legitimate functions of marketing. Should marketing be confined merely to those business activities facilitating the flow of goods and services from the primary producer to the final consumer or can it undertake the task of influencing the nature and quantum of products on the one hand, and of demand, for them on the other? In other words, what is it that we are trying to influence by means of the marketing legislation—the level of prices or the share which the farmer receives out of the final price paid by the consumer? It is often thought that the true sphere of marketing is the improvement in the size of the marketing margin rather than the level of prices, as determination or fixation of prices is beyond the sphere of marketing, i.e., prices are influenced by factors other than marketing. It may be noted that in “periods of falling prices and where the producers of individual commodities have faced severe financial difficulties, many attempts have been made to use the marketing machinery to raise prices either directly or by some method of raising supplies. Monopoly arrangements have been introduced by groups of producers or by Governments for these purposes. Such purposes are, however, to be distinguished from those essential to progress in marketing. These attempts to raise prices by controlling supplies often aided by Governments have almost always failed in the long run, because production had not been controlled or because the markets of different areas or for substitute products could not be sufficiently separated. It is essential to discern in a particular set of circumstances to what extent the prices paid to farmers are low because of (1) inefficiency in marketing, (2) monopoly powers of private traders, (3) temporary production in relation to local demand and (4) general deflation in prices and income levels”. Of course, marketing devices have been employed to influence the price level; even if legislation were not to take upon itself such an

ambitious task, it must at least devote its attention to improving those marketing services and factors which have a bearing on prices. If low prices are the result of inefficiencies of marketing or its weak organization, it is in the direction of improving the services or of strengthening the marketing organization that attempts must be made. The best that marketing legislation is expected to do in normal circumstances, if it were not to concern itself with the operation of the forces of supply and demand, is to equalize the bargaining power of the farmer and the trader and to create conditions for ensuring greater competition between the various middlemen and organizations concerned, and by facilitating their operations through the improvement of basic services such as transport facilities, storage, grading and pooling market intelligence, inspection of weights and measures, credit and finance etc. The point to remember is that the problem of marketing has to be attacked on all fronts to yield the desired results. It has to be tackled through a chain of economic devices such as standardization of goods, establishment of licensed warehouses, development of co-operative marketing and establishment of regulated markets. Although the scope of marketing legislation is limited to improving or rationalizing market practices and to minimising or even abolishing unjust marketing charges, it must be admitted that as a piece of economic legislation, it is an extremely useful one. With an increase in the number of regulated markets in the country and a greater volume of goods passing through them often worth several crores, a slight reduction in market charges alone and rationalization of market prices are bound to result in great monetary advantage to the farmer. It is estimated that during 1953, goods worth Rs. 250 crores were marketed through the regulated markets.

(*Based on the Dantwalla Committee's Report of the Enquiry into Regulated Markets in the Bombay State).

Merits of the Marketing Legislation

Though the results achieved so far cannot be considered to be spectacular, there can be no two opinions about the fact that many socio-economic advantages have accrued to the producers in areas where the marketing legislation has been in operation. The regulated markets have helped in developing among the

farmers a 'corporate sense'. The Association of growers, with the administration and management of markets, has enabled them to acquire valuable information in regard to the advantages of the various marketing improvements and also disclosed to them the undesirable ways of the traders and the weakness of their methods and practices. Many of the regulated markets have provided in their market yards amenities such as facilities for parking of cars, provision for drinking water, cattle sheds, water-troughs for cattle, shed for cooking etc. In several markets, marketing services such as godowns for storage, arrangements for grading of produce, issue of market bulletins have also been provided. Apart from the economic and social benefits, the marketing legislation has conferred on the farmers, the real merit of it must be sought in the psychological benefit it has conferred on the people concerned in the process of marketing—the producer, the middleman and the consumer. The farmers have now realized that price obtained for their products is as important as production itself and that their neglect in the past of what happened to their produce once it left the farm, has resulted in considerable pecuniary losses to them. The active interest taken by the State Governments in the regulation of market practices has brought a realization to the growers of agricultural produce that marketing is no longer a 'private preserve' of the businessman as it used to be hitherto. The producers served by a regulated market have gradually begun to shed their inferiority complex while dealing with the organized class of merchants, traders and commission agents, and they have also gradually begun to develop a marketing sense and do not meekly submit to the wishes of the buyers, as they are conscious of their own rights. Apart from the benefits that have accrued to the producers, the working of the regulated markets has also gradually brought a new sense of obligation to the business community. The functionaries operating in the market who are generally hostile to regulation of markets have now gradually realized that they cannot have all their way in the marketing of agricultural produce, and are gradually submitting, though very slowly, to the discipline imposed on them by the State legislation. In areas where this realization has been quick, the entire atmosphere in which purchases and sales take place has considerably changed for the better. The mutual distrust between the buyer and the seller is

gradually disappearing. To put it in a nut-shell, the regulated markets have exercised a healthy influence on the marketing structure and have improved the efficiency of the marketing system in their areas. Although this is so, there can be no gainsaying the fact that a new market consciousness as such in general on the part of majority of both the parties is not yet seen to a degree that is desirable, though there may be a few agriculturists who may be conscious of their rights or a few traders who have accepted limitations on their activities imposed by the legislation. In this connection the Report of the Dantwalla Committee on Enquiry into Regulated Markets in the Bombay State observes : "One significant aspect of legislation needs to be underlined. The composition of the Market Committees and the authority given to them as against that vested with the departmental staff gives an impression that Government want to leave the task of improving marketing to the various interests concerned and to use the State authority to the minimum extent necessary. This is a very laudable principle to follow, but its limitations must be clearly recognized. Successful working of this principle assumes a spontaneous willingness on the part of the more powerful interests to play the game fairly and to act in conformity with the declared intention of the legislation and the ability on the part of the weaker interests to assert their rights and not to be brow-beaten, by the more powerful interests. It must be realized that such a situation does not yet exist in the country. Much yet remains to be done in regard to rationalizing of market practices. Judged by the tests of good marketing, progress so far achieved is not quite impressive ; methods of sale are still defective the Hatha system (sale under cover of cloth) still prevails in some markets. In others, the traditional allowances are still permitted ; moghum sales are found in others and there is inadequate supervision and check over village sales. Some of the defects are due to flaws in the Act, Rules and Bye-laws. It must be remembered that it takes time to break the age-old customs and usages. The business interests are very powerful and the agriculturists are illiterate, poor and timid, and are, therefore, reluctant to insist on their full rights or resist being cajoled or intimidated into conniving at the Rules and Regulations. Such being the case, it may be necessary for the State in a comparatively backward country with a large illiterate pop-

ulation to assume a more active role. This would mean bestowing larger powers on the departmental staff and though attempt should always be made to guard ourselves against excessive State interference, it should not be difficult to find a middle path". Concluding their general observations, the Committee has registered a note of warning in the following words : "If care is not taken at this early stage to impress upon all the interests concerned in the regulated markets, that conformity with the rules and regulations is necessary and will be enforced by Government, slackness will enter into the working of regulated markets and might threaten to become its permanent feature. Those rules and regulations which are found to be impracticable may be amended, but those which are found essential as well as practicable should be strictly enforced. Opinion must not be allowed to crystalize into believing that concessions and compromises with the provisions of the Act and the Rules are an unavoidable feature in the implementation of the same".

Progress of Regulation of Markets in the Indian Union

At the time when the Royal Commission on Agriculture reported it was only in Berar that Regulated Markets had been established under the provision of the Cotton and Grain Markets Act, 1927. In the Bombay State, the Cotton Markets Act had been enacted in 1927. The main object of the Bombay Legislation was to secure to the cultivator better prices fairer weight and freedom from illegal deductions. The recommendations of the Royal Commission on Agriculture had a very healthy effect, and many States passed Market Acts, for the purpose of regulation of markets. Prior to 1951, Acts for regulation of Markets in various agricultural commodities, had been in force, in the States of Bombay, Madras (Composite), Madhya Pradesh, Punjab, Pepsu, Hyderabad and Mysore. Rules and regulations for regulating markets were also in force in some of the States that have been now merged in the Madhya Bharat. With the separation of Andhra, the Madras Commercial Crops Act, 1933, continued to be applied to markets in that state. The progress of enactment of Marketing Legislation in various States is indicated below :—

(1) *Bombay* :—The Bombay Agricultural Produce Markets Act was passed in 1939, when the Bombay Cotton Markets Act, 1927, was repealed. Since then the Act has been amended several times and an expert five-man Committee under Dr. Shirname, Director of Agriculture, Bombay State, was appointed by the Government of Bombay in 1955 to overhaul the whole Act and the Rules thereunder and to suggest suitable amendments there to. The Committee, has already concluded its labours and submitted its Report to Government. The Report is now published, and the important recommendation made therein are mentioned in Part II of this Chapter under Appendix.

(2) *Madras* :—The first step towards regulation of markets in the Madras State was taken as early as 1933, with the passage of the Madras Commercial Crops Act. Since then, the Act has been amended several times. The Act was first applied to commercial crops like cotton, groundnut and tobacco. The amending legislation in 1948 was made applicable to other crops as well notified by the State Government as 'commercial crops'.

(3) *Madhya Pradesh* :—In Madhya Pradesh, the Central Provinces Cotton Markets Act was passed in 1932. In 1935, another Act called "the Central Provincial Agricultural Produce Markets Act" was passed on the lines of the Cotton Markets Act. Under the new Act, markets were regulated for the purchase and sale of agricultural produce other than cotton. The Cotton and Grain Markets Act, 1897, was repealed in its application to Berar by these two Acts. Two Committees—one for cotton and another for grains—were set up in the same place under these two Acts. To avoid this duplication, the Agricultural Produce Act of 1935, was so amended as to constitute a Market Committee functioning under the Agricultural Produce Market Act to be also a Committee under the provisions of the Central Provinces Cotton Markets Act, 1932, if the State Government so desired. Both these Acts were further amended in 1947 so as to provide that the management of a market could be entrusted to a co-operative institution.

(4) *Punjab* :—In the Punjab, markets have been regulated under the Punjab Agricultural Produce Markets Act, 1939. The Act was amended in 1944 to remove the defects disclosed during

the period of its working for five years. This Act is now in operation in almost all the markets in the State.

(5) *Hyderabad* :—This was the first State in India to pass the Agricultural Produce Markets Act in the year 1930, on the model of the Bombay Cotton Markets Act, 1927. The Act was further amended in 1950 to bring within its ambit livestock among the Notified Commodities with a view to establishing regulated markets for livestock.

(6) *Mysore* :—Necessary legislation has been enacted as far back as 1939, but no further action was taken for a period of ten years. It was only towards the end of the year 1948 that market regulation in agricultural commodities was enforced.

(7) *Pepsu* :—In Patiala, the Patiala Agricultural Produce Markets Act was passed in 1947 and regulation was introduced in 1948. The Patiala Agricultural Produce Markets Act was adopted by the Pepsu Government, when it was constituted.

It will be seen from what is stated above that only in seven States that legislation has been enacted and enforced in regard to the regulation of markets and a few other States like Saurashtra, Travancore-Cochin, Tripura and Orissa were preparing a legislation for the consideration of their respective Legislative Assemblies. In Saurashtra the Agricultural Produce Markets Act, was passed in 1955. For one reason or the other, some of the major States mentioned below have not yet passed the necessary legislation.

(i) *Assam* :—In Assam, no steps have so far been taken towards enactment of necessary legislation.

(ii) *Bihar* :—In Bihar, a Markets and Dealers Bill was introduced in the Legislative Assembly in 1939, but it was later postponed.

(iii) *Bengal* :—In Bengal, the Markets Regulation Bill passed by the Legislative Assembly lapsed, as it was not placed before the Legislative Council for a period of two years.

(iv) *Orissa* :—In Orissa, a Markets Bill had been drafted in 1942, but it was later dropped. It has again been revived.

(v) *Uttar Pradesh*.—In Uttar Pradesh, the U.P. Agricultural Produce Markets Bill had been introduced in the U.P. Legislative Assembly in 1938. It was also referred to a Select Committee, but owing to the resignation of the Ministry, the Bill was postponed till another Ministry was formed to take it up.

Number of Regulated Markets in different States in the Indian Union.

The progress made in extending the application of the Agricultural Produce Markets Acts in several States is given below :—

Name of the State	1950	1951	1952	1953	1955	31st August 1956
1. Bombay	65	75	88	88	102	114
2. Madras (Composite State)	27	28	28	27	13	19R
3. Madhya Pradesh	46	46	40	51	45	54
4. Punjab	52	63	63	60	77	77
5. Hyderabad	54	67	70	73	80	88
6. Mysore	3	4	7	8	9	12
7. Pepsu	30	39	39	39	39	37
8. Madhya Bharat	46	46	46	47	48	65
9. Andhra	...	...	...	...	14	24
10. Saurashtra	...	...	...	...	...	9
Total...	329	368	385	393	427	494

R represents residuary State.

N.B.—The figures up to 1953 are taken from the Madras Agricultural Journal No. 1, Vol. XLII.

These statistics indicate that the progress made in regard to the application of the Agricultural Produce Markets Act is impressive in the case of Bombay and Hyderabad States, while the position is fairly satisfactory in the case of Pepsu and Madhya-Bharat States. The working of regulated markets in the States of Bombay, Hyderabad, Madras and Mysore will be dealt with in subsequent parts, of this chapter.

The Administrative Set-ups

The administrative set-ups of the Government Departments in charge of Regulated Markets in several States are given in the subjoined tables :—

Name of the State	Title of the Act.	Department administering the Act.	Strength of staff (Marketing Section).
1. Bombay.	The Bombay Agricultural Produce Markets Act, 1939.	The Co-operative Department. The Registrar, C. S. assisted by the Chief Marketing officer, who is also a joint Registrar, C. S. The Collector of the District is administering the provisions relating to elections to the Market Committees.	One C.M.O. and joint Registrar; one Market Research officer; six Asstt. Marketing officers stationed at Bombay, Poona, Nasik, Dharwar, Baroda and Ahmedabad; 24 Marketing Inspectors; one Grading officer at Poona; one Graduate Asstt. and other clerical staff.
2. Madras.	The Commercial Crops Markets Act, 1933.	The Director of Agriculture assisted by the Chief Marketing officer.	One C.M.O. two Asstt. Marketing officers, four Marketing Asstts. and other ministerial staff.
3. Madhya Pradesh.	1 The C. P. & Berar Cotton Markets Act, 1932. 2 The C. P. & Berar Agricultural Produce Market Act, 1935.	The Revenue Deptt. The Deputy Commr., Rev. Deptt., assisted by State Chief Marketing officer.	One C.M.O. five Asstt. Marketing officers and other Ministerial staff.
4. Punjab.	The Punjab Agricultural Produce Markets Act, 1939.	The Deptt. of Agriculture. The Director of Agriculture assisted by the Chief State Marketing officer. (Formerly, the Rev. Dept. was administering the Act).	One C.M.O. two Asstt. Marketing officers; two Inspectors of Agriculture; three Marketing Sub-Inspectors; three Packers and other clerical staff.
5. Mysore.	The Mysore Agri. Produce Markets Act, 1939.	Co-operative Deptt., The Registrar, C. S. who is the Ex-officio Chief Marketing officer.	One C.M.O. who is also the Registrar, Co-opve. socys., two Asstt. Marketing officers; three Marketing Asstts., one statistician Nine District Marketing Inspectors, one Grading Inspector, one Record-keeper and other clerical staff.
6. Andhra.	Madras Commercial Crops Markets Act. 1933.	Same as in Madras.	3. Asstt. Marketing officers; 2 Marketing Inspectors; 4 Record-keepers and other clerical staff.

Name of the State	Title of the Act	Department administering the Act	Strength of staff (Marketing Section)
7. Pepsu.	The Patiala Agricultural Markets Act, 1947.	Deptt. of Agri. The Director of Agriculture is in charge of marketing work and he is assisted by the Chairman of the State Marketing Board. A State Marketing Board is functioning for the purpose of controlling the work of Regulated Markets.	One State Marketing officer, two Marketing Inspectors and other clerical staff.
8. Hyderabad	Hyderabad Agricultural Markets Act, (No. II of 1939 Fasali).	Chief Marketing officer; The Act is administered by an independent Marketing Deptt. under a State Marketing Officer.	<p>One Chief Marketing officer; There are two Sections styled as 'Government' and 'Non-Government' Sections. Under Govt. Section again, there are two further subdivisions, viz., Survey section and the Regional section. Recently, an Engineering Section has also been added. There is also the Central Fund Administering Section. Under survey section, the staff employed are :—</p> <p>(i) One senior Asstt., Marketing officer, three Asstt. Marketing officers.</p> <p>(ii) Under the Regional Section, there are two divisions, one styled as Gulburga and Warangal Region and the other styled as Aurangabad and Medak Region; each being in charge of a Regional Marketing officer.</p> <p>(iii) Under the Engineering Section, there is one Engineer, assisted by two Sub-overseers and one Tracer.</p>

Name of the State	Title of the Act	Department administering the Act	Strength of staff (Marketing Section).
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Under the Central Fund Section, which falls under the Non-Govt. Section, the following staff are employed :—

4. Asstt. C.M.O.'s.,
26 Senior Marketing Superintendents,
27 Junior Marketing Superintendents
in addition to the clerical staff in all the Sections.

Advantages of Regulated Markets

The main advantages which follow regulation of markets are briefly summarized below :—

(1) Market charges are clearly defined and specified ; excessive charges are reduced and unwarranted ones are prohibited.

(2) Market practices are rationalized.

(3) Correct weightment is ensured by periodical inspection and verification of scales and weights through the system of licensing of weighmen and of supervision of weightment.

(4) Suitable arrangements for the settlement of disputes regarding quality, weightment and reduction etc., prevent litigation, and safeguard the interests of the seller and smoothen business.

(5) The insistence on prompt payment of the value of produce by the buyer considerably helps the poor seller.

(6) Reliable and up-to-date news service is made available to the users of the market.

(7) Suitable quality standards and standard contract terms for buying and selling can be conveniently enforced in a regulated market.

(8) Reliable statistics of arrivals, stocks, and prices can be maintained in a regulated market.

(9) Various facilities and conveniences can be provided in a regulated market such as sheds for the use of sellers or shady trees, space for parking cars, water cisterns for cattle, and storage accommodation for agricultural produce etc.

(10) Propaganda for agricultural improvements, e.g., use of good seeds, adoption of improved methods of cultivation and grading of agricultural produce can be more conveniently undertaken in a regulated market.

Place of Regulated Markets in Rural Economy

Orderly marketing acts as an excellent stimulus for increased agricultural production and its importance in the rural economy of a country needs no emphasis. In view of the unsatisfactory condition and poor standard of the primary and secondary markets where the farmer exchanges his produce for cash, regulation of markets with a view to ensuring a fair return to him assumes great importance and has been given top priority in the Second Five-Year Plan. A recent Conference on Marketing and Co-operation held at Jaipur from 3rd to 5th February 1956 convened to discuss the accelerated programme of development of agricultural marketing and co-operation, agreeing with the recommendations of a similar Conference held at Hyderabad from 27th to 29th November 1955, reviewed the steps taken by various State Governments to enact market legislation and to regulate the markets thereunder. In order to accelerate progress in this regard in the Second Five-Year Plan, it resolved that the matter relating to speedy regulation of markets and formulation of a phased programme for extending the regulation to all important markets should be dealt with on top priority and adopted the following recommendations :—

Speedy Regulation of Markets

1. Expeditious steps should be taken by all the States to pass necessary legislation in regard to regulation of markets, and in doing so, they may profit by the experience of other States where such legislation is in force.

2. The objective should be to cover all important market centres by the end of the Second Five-Year Plan, and a phased programme should be prepared in this regard by the States.

3. The State Government should send their officers who are to be entrusted with the administration of the "Agricultural Produce Markets" Act, to States which have made some progress in this regard, for studying the patterns of regulation and adopting them with such modifications as may be necessary according to local conditions.

Representation of Co-operative Marketing Societies in the Regulated Market Committees

1. In view of the programme for development of co-operative marketing in the country, adequate representation to co-operative organizations working in that area should be given on the Regulated Market Committees. At least two seats from the constituencies other than the producers' constituency should be reserved for co-operatives—one for the co-operative societies which would be registered as licensees of the Market Committees and one for a co-operative financing agency of the area.

Common Problems

(i) Creation of resources fund for the development of markets.

1. With a view to developing the resources of the market committees and thereby augmenting their funds necessary for improving the market, the States may consider levying of market cess by the Market Committees on an *ad valorem* basis and make suitable provision in their State Acts.

2. In market centres where the municipalities and the local bodies are recovering octroi and toll taxes on agricultural produce including live-stock, the State Governments should take steps to ensure that these bodies earmark a reasonable percentage of income derived from these taxes for the development of market yards and provision of amenities therein.

3. The Central Government may provide funds to the States for the purpose of advancing loans to the Market Committees for capital expenditure on easy terms.

4. Financial assistance, contributed by the Central and State Governments in mutually agreed proportions may be given in the

form of subsidies in the initial stages to the new market committees for managerial expenses.

5. The State Government may also explore the possibilities of augmenting the financial resources of these market committees from other sources.

Appointment and Training of Market Secretaries

1. In order to ensure proper selection, training and stability of service, the State Governments may form a common cadre personnel required to work as Market Secretaries and lend their services to the Market Committees. Such persons shall be the employees of, and be responsible to, the market committees for day-to-day work. Wherever this is not possible, it may be provided in the Act that the qualifications and the conditions of service of Market Secretaries should be prescribed, with the prior approval of the State Government and that the Market Secretaries will not be removed from office without the concurrence of the State Government.

2. In view of the desirability of employing only trained men as Secretaries, Superintendents or other supervisory staff of the Market Committees, Central and State Governments should make arrangements to organize regional training centres for training such personnel. Regions, as defined for purpose of co-operative training by the Central Committee for Co-operative Training may be adopted for the present for this purpose also. As far as possible advantage may be taken of the training centres organized by the Central Committee for Co-operative Training, wherein a separate wing with specialized staff can be opened for training Market Secretaries and other supervisory staff.

Creation and strengthening of State Marketing Departments

1. In view of the expanded programme for development of marketing in the States and for proper execution of the Schemes included in the Second Five-Year Plan, the supervisory staff of the State Marketing Departments should be strengthened.

2. For speedy implementation of schemes for the development of co-operative marketing, processing, warehousing, regulation of

Markets, co-operative credit and other allied activities, which all have a common object of achieving efficiency in marketing, co-ordination of various administrative agencies, dealing with this work is essential and this co-ordination should be effected either at the executive or at the secretariat level.

Summary of Statutory Provisions

Regulated markets exist at present in five Part A States (Bombay, Madras, Madhya Pradesh, Andhra and Punjab) and four Part B States. It is only during 1955 that the markets have been regulated in Saurashtra. It is proposed to present in the following paragraphs a comparative study of the important provisions contained in the Acts in force in a few States like Bombay, Hyderabad, Madras, Mysore, etc., indicating the points of difference, wherever they occur. Provisions dealing with the following matters are briefly summarized :—

(1) Object. (2) Definitions. (3) Notification of intention of exercising control over Purchase and Sale of Agricultural Produce in a specified area. (4) Declaration of Market Area. (5) Issue and cancellation of licences. (6) Establishment of Market Committees. (7) Incorporation of Market Committees. (8) Sub-Committees and Joint Committees and Delegation of Powers. (9) Appointment of Officers and Servants of Market Committees and their Salaries. (10) Execution of Contracts. (11) Levy of Fees. (12) Market Committee Fund. (13) Powers to borrow. (14) Trade Allowances. (15) Powers of the State Government to make Rules. (16) Bye-laws. (17) Imposition of penalties and Trial of Offences under the Acts. (18) Special provisions in the Acts. (19) Rules under the Act.

(1) *Object*.—The main object of the various Acts is to provide for better regulation of the purchase and sale of agricultural produce and the establishment of markets for that purpose. The Madras Act limits the application of the various provisions to commercial crops only; whereas the Central Provinces Agricultural Produce Markets Act of 1935 with subsequent amendments is applicable to the sale and purchase of agricultural produce other than cotton, the latter being covered by the Central Provinces Cotton Markets Act of 1932. The other Acts are applicable to

agricultural produce as defined in each Act. The words "Agricultural Produce" do not form part of the title of the Madras Act, while in the Hyderabad Act, the word 'produce' is omitted.

(2) *Definitions*.—(a) The term 'Agricultural produce' has been variously defined in the Acts. The Bombay and Punjab Acts restrict the application of the provisions to the commodities mentioned in the respective Acts. Agricultural produce includes all produce of agriculture, horticulture and animal husbandry products mentioned in the schedule annexed to the Bombay Act. New commodities can, however, be added and any of the existing ones removed by fresh Notification by the Government. In the Madras Act, the terms 'commercial crops' originally included cotton, groundnut and tobacco, but subsequent amendments to the Act have enlarged the definition, so as to include in it other crops as well by Notification by Government, and three more commodities, viz., cocoanut, arecanut and gingelly, are now included under 'commercial crops'. According to the Hyderabad Act, the term 'agricultural produce' means any produce of land which is declared as such by the Government by Notification, but excludes 'cotton' which is separately defined so as to include in it cotton both ginned and unginned, and cotton waste. In the Central Provinces, Agricultural Produce Markets Act, agricultural produce shall not include cotton which is regulated by a Separate Act. In the Punjab Act, the term 'agricultural produce' means harvested cotton, wheat, barley, rice, oil-seeds, maize, gram, sugarcane (gur and shakkar), or any other crop which may be declared by a Notification by Government to be 'agricultural produce' for the purposes of the Act. This definition obviously excludes live-stock and other produce of land "which is not a crop". The definition of agricultural produce contained in the Mysore Act, is more comprehensive, as it means any produce of agriculture or horticulture and includes all produce of animals and their hides, skins, and wool and any article of food or drink, wholly or partially manufactured from agricultural produce and declared by the Government by a Notification to be agricultural produce for the purposes of the Act. It is desirable that the expression 'agricultural produce' should be sufficiently comprehensive enough to include all produce of agriculture, animal

husbandry products and horticultural produce, to avoid vagueness and controversy in regard to the interpretation of the term. The State Government should also have power to add to or remove any commodity, from the List of Regulated Commodities, depending on the requirements of a market and any other circumstance, as has been done in Bombay.

(b) *Grower, Agriculturist or Producer* :—The word “grower” is used in the Punjab, Madras and Pepsu Acts and the word “agriculturist” has been adopted by the Bombay and Madhya Pradesh Acts, while the Mysore Act speaks of the “producer”. All the Acts exclude the dealer or broker even though he may be engaged in the production of such produce. The Punjab and Pepsu Acts further exclude persons who may be otherwise engaged in the business of disposal or storage of agricultural produce. The Bombay and Punjab Acts provide that production of agricultural produce may be done either by the grower, agriculturist or producer himself or through tenants or otherwise. The Mysore Act defines producer as a person who grows, rears or produces or manufactures agricultural produce as the case may be.

(3) *Notification of Intention of exercising Control over Purchase and Sale of Agricultural Produce in a specified area* :—It has been laid down in Madras, Bombay, Punjab and Pepsu Acts that the intention of exercising control over the purchase and sale of agricultural produce shall be notified by the respective Governments in such area as may be specified. The Bombay Government has added a proviso to Section 3 of the Bombay Agricultural Produce Markets Act, 1939, that no area within the limits of a municipality should be included in the area so specified in such Notification, except after consultation with the Municipality concerned. In the Acts mentioned above, provisions exist for receiving objections against the proposal within a specified period of the Notification. The Madhya Pradesh, Mysore and Hyderabad Acts make no provision for previous Notification and for inviting objections. The Mysore and Madhya Pradesh Acts simply provide that the State Governments, either on representation made by growers of crops or after consulting the local bodies if necessary, may declare any place as a market. In the Hyderabad Act, declaration of a market is a matter of dis-

creation of the State Government only. In order to acquaint all the interests affected with the Notification, it has been found necessary to publish the Notification in the regional languages of the area in an appropriate manner. The Bombay and Madras Acts have made suitable provisions in this regard, but the Madras Act has gone one step further by amending the Act to the effect that any omission to publish the required Notification in the prescribed manner or any defect or irregularity in regard thereto will not affect the validity of any Notification published in the official Gazette.

(4) *Declaration of Market Area*.:—(a) After the receipt of objections and their consideration, the respective Governments finally declare the market area as previously notified to be a "Notified Market Area" in respect of the agricultural produce mentioned or any part thereof. The area from which the produce comes to a commercial place or a market centre ordinarily forms the basis for declaration of market area. The Madhya Pradesh, Hyderabad and Mysore Acts provide for simultaneous notification regarding the application of the Act to areas and to the specified crops and also for the declaration of the market area.

(b) *Market Proper and Market Yards*.:—The market area is divisible in three parts, viz., the market yard, the market proper, and the market approaches. In the Bombay Rules, the Government may, by notification in the Official Gazette, declare any enclosure, building or locality in any market area to be a market yard, and any area including all land with the buildings thereon within such distance of the market yard as it thinks fit to be the market proper, (This is within a radius of five miles of the market yard in Bombay), provided that the market proper so declared shall include industrial concerns in such areas with their compounds, godowns and warehouses where the agricultural produce is stored. Similar is the position in Madhya Pradesh and Mysore. But in Hyderabad the area that is not included in the market yard is known as the market proper. The various Acts authorize the State Governments to make any alteration in the limits of the boundaries of a market area.

(c) *Restrictions imposed on the Conduct of Business in Private Premises*.:—The Mysore and Hyderabad Acts lay down that the

business within the market area in the notified commodities can be carried out only with the sanction in writing of the respective Governments and subject to such restrictions as may be imposed. In the Bombay, Madras, Pepsu and Punjab Acts, no person is permitted to set up, establish or continue or allow to be set up, established or continued any place for the purchase or sale of agricultural produce so notified except under a licence granted in accordance with the provisions of the respective Acts. The State Governments are also empowered to suspend or cancel these licences. The Madhya Pradesh Act merely prohibits the carrying on of business within the market area without making provision for the acquisition and grant of licence. In most of the Acts it is provided that if the seller himself is the producer of the produce, or is his *bona fide* agent and/or the buyer, as in the case of Bombay and Madras, purchases it for his own private use, the place will not be deemed to be governed by the provisions of the respective Acts. The Madras Act exempts co-operative societies of producers from the operation of this clause. It also prevents the use of any place within the market area or within a specified distance of the area, for storage, weighment or processing any notified commercial crop, except according to a licence granted by the Collector, and the grant of licence is subject to certain conditions mentioned therein. It may be noted in this connection that the Collector, under Section 5(4)(a) of the Madras Act, enjoyed absolute discretion to grant or, refuse a licence to any trader. These powers of the Collector were challenged in a Court of Law, and the Madras High Court held that though the Madras Commercial Crops Act, 1933, was valid under the Indian Constitution, the powers enjoyed by the Collector were excessive. The position has since been rectified by the State Government and Section 5(4) (a) of the Act itself brought into conformity with the provisions of the Indian Constitution.

(5) *Issue and Cancellation of Licences* :— Most of the Acts, state the conditions under which a licence may be suspended or cancelled. The power is either vested in the Director of Marketing or in the Collector of the District or in the Market Committee. Usually, licensees are given an opportunity to show cause before a licence is actually suspended or cancelled.

In all the Acts penalties are also provided for contravention of provisions of Section 4. (This refers to the setting up of a place or business for the sale and purchase of agricultural produce without obtaining a licence) and the offenders, on conviction, are liable to be punished with a fine which may extend to Rs. 500/- and in the case of a continuing offence with a further fine of Rs. 100 every day during which contravention takes place after first conviction. But in the Pepsu and Punjab, Acts the fine prescribed for each day of contravention is Rs. 30/- only.

(6) *Establishment of Market Committee*:—For every market area notified under the Acts, a market committee is required to be set up with a view to enforcing the provisions of the respective Acts, the rules framed thereunder and the bye-laws. The composition of a market committee varies greatly in the different Acts, though provision exists under most Acts for seats on such Committees for representatives of growers, traders, local bodies and Government nominees. The constitution of a Market Committee has been prescribed under each Act, and a summary of the provisions is given in the table on the next page.

(a) It will be seen from the table that the minimum number of members for a market committee is not specified at all in the Madras Act, while it varies from 8 in Hyderabad to 15 in Bombay. The maximum in all cases is 16, except in Bombay and Madras. In Pepsu and Punjab, the number may be 9 or 16. In those Acts where the maximum and minimum number is provided, the actual number of members for each Market Committee is either fixed under the Rules or left to be appointed by the State Governments or left at the discretion of the Collectors of the district. In the Madras State, the number of the District Market Committee members is fixed by the State Government and in every case the maximum number provided in the Act is appointed, but the number of members under the Hyderabad Rules is fixed at 12.

(b) As regards the composition of the Committee, it will be seen that in the Punjab and Pepsu Acts an absolute majority for the growers' representatives is provided. In the other Acts, mentioned in the Table, on the next page, the growers form a majority, if the official nominees are excluded from the total number of members of the Market Committee.

(c) As regards representation of traders on the Committee, the Bombay Act now provides that in the Traders' Constituency out of four seats reserved for the traders on a Market Committee of fifteen, one seat is reserved for such class of co-operative societies as the Government may prescribe. The Bombay Act is a solitary piece of legislation to make a provision of this kind. In this connection, it may be noted that the Committee of Direction of the All India Credit Survey has recommended that wherever a regulated market exists in the area of operation of a primary marketing society (as also the local Co-operative Banking Organization, if any), the latter should have the right to nominate one or two of its members on such market committee.

(d) In Madhya Pradesh, the Central Provinces Agricultural Produce Markets Act, 1935 and the Cotton Markets Act, 1932, were amended in 1947, so as to facilitate the handing over of the management of a market committee to a co-operative society, if the latter were, in the opinion of the State Government, representative of the producers in the rural area and capable of managing the affairs of a market committee satisfactorily. Pursuant to this policy of Government, management of the Amraoti Market was transferred to the Tahsil Agricultural Association, subject to the condition that the latter should amend its bye-laws to permit the State Government to nominate two more persons in addition to the existing three nominees, so that they might represent the interests of the consumers and the general public. This example of a market committee being handed over to a co-operative society in Madhya Pradesh was recommended for adoption elsewhere by the Indian Planning Commission. The experience of the working of this arrangement for about a period of five years has not been very happy and it has been found necessary to include other interests as well, viz., the Traders, the Local Bodies, agriculturists outside the ambit of the co-operative fold on the Managing Committee of a Market Committee, and the Tahsil Co-operative Association was further asked by the Registrar of Co-operative Societies to so amend its bye-laws as to permit the constitution of an enlarged Committee solely for the purpose of management of the affairs of the Market Committee. It is reported that the Amraoti Market Committee has become a Sub-Committee of the Amraoti Tahsil Agricultural

Composition of the Market Committees in Different States of India

Name of the State	Total No. of members provided		Growers	Representatives of Traders	Local Bodies	A n G
	Minimum	Maximum	(a)	(b)	(c)	
1. Bombay	15	Not provided	7	4	1 or 2	3
2. Madras	Not Provided	12	Such no. as Govt. may prescribe	— —	Such no. as the Govt. May fix but the no. not to extent the no. of elected members.	
3. Madhya Pradesh	10 to	16	Not less than half the total no. to be elected.	Remainder	2 Elected	
4. Punjab	9 to (a) when 9) (b) when 16)	16	5 9	3 6	— —	
5. Mysore	12 to	16	Do-by Govt.	Remainder elected.	2 Elected	
6. Pepsu	to (a) when 9) (b) when 10)	16	5 9	3 6	—	
7. Hyderabad	Under the Act 9 to Under the Rules	— 16 12	Not less than half to be nomi- nated by Collec- tor with the approval of the Govt.	4 Elected.	1 person not be- ing a salaried offi- cer to be nomina- ted by Collector with the approva- of Govt. to re- present the to or Village where the market exists	
8. Madhya Bharat	9 to	15	Not less than 1/3rd elected	Not less than 1/3rd elected		

in Different States of India

Representatives of Traders (b)	Local Bodies (c)	Appointed or nominated by Government.	Remarks.
	1 or 2	3 or 2	In the Traders' Constituency one should represent Co-operative Organisations.
—	Such no. as the Govt. May fix but the no. not to extent the no. of elected members.	The District Agricultural officer, to be ex-officio member.	—
Remainder	2 Elected	1	—
;	—	1 Salaried person	—
;	—	do	—
Remainder elected.	2 Elected	1	—
3	—	1 to be appointed by the Central Marketing Board.	—
4 Elected.	1 person not being a salaried officer to be nominated by Collector with the approval of Govt. to represent the town or Village where the market exists.	1 person to be nominated by the government of Hyderabad.	The power of The Collector to nominate one non-official to represent interests of a Town or Village is exercised if there is no Municipality or Local Body in that Town or Village. Otherwise the Local Body is to elect 1 person.
Not less than 1/3rd elected		Remainder	one shall be a Consumer.

Association, and now consists of 18 members representing varied interests.

(e) *Election or Nomination of Representatives*.—As regards the manner of filling the vacancies it may be stated that in the Bombay, Madhya Pradesh and Madras Acts the representatives of traders and growers are to be elected in the manner provided in the Acts and the Rules framed thereunder. In the case of Mysore, the growers' representatives may be elected or nominated as the Government may prescribe, while in Hyderabad, under Rule No. 3(b), the growers' representatives are nominated by the Collector of the district, with the approval of the Secretary to Government in the Marketing Department, and the traders' representatives are elected by the traders forming a constituency who are registered with the market committee. Matters in respect of election, powers, functions, duties and working of market committees are relegated to rules under the Acts, and these Rules generally differ in different States. In the Acts that provide for election of members of the market committee except those nominated by Government, three constituencies are recognized, viz., the agriculturists' constituency, the traders' constituency and the local authorities' constituency. The last constituency is not provided in the Madras Act. In the Madras Act, all the growers of notified commercial crop within the notified area are to be on the electoral roll of the agriculturists' constituency. Where election is provided for growers, qualifications also have been prescribed for voters to be included in the list to be prepared by the Agriculturists' electorate. In Mysore the producers' electorate shall consist of producers residing within that area and who are holding and cultivating alienated or unalienated land assessed at not less than Rs. 12 per acre. In the Punjab, growers and traders are required to submit a panel of names of their respective representatives equal to twice the number of vacancies to be filled. Panel of growers would be the one restricted to growers within the Tahsils in which the notified market area is situated. If, however, the notified area is larger than a Tahsil, then at least 50 per cent of the names on the panel should be of those persons who are not members of the District Local Board. In Bombay, the growers' constituency is limited to the membership of co-operative bodies operating in that area, which are described

as organizations of agriculturists subject to the general qualifications prescribed in that regard, and in places where no such organizations exist, the agriculturists residing in such area shall also be the voters, and their qualifications have also been prescribed, i.e., they should be holders or tenants of lands assessable at Rs. 8/- per annum. This naturally excludes all agriculturist-producers who have not come within the co-operative fold for one reason or the other. It is reported that this has been done with a view to promoting co-operation. In this connection, the Dantwala's Committee of Enquiry into Regulated Markets in the State remarks : " We cannot approve of a mode of encouraging co-operation which results in disenfranchisement of a large number of genuine agriculturists with a stake in marketing. With all the progress made by the co-operative societies in recent times, their membership hardly anywhere exceeds 15 per cent of the total number of agriculturists in that area. The provision which takes away the right of representation from as many as 85 per cent of the agriculturists cannot be defended on any ground. There are other and fairer methods of encouraging co-operation. Recently, a new difficulty has arisen. Co-operative sale societies which take the traders' licence are removed from the roll of farmer's constituency. Since the tendency for the credit societies is to take up also the marketing work and convert themselves into multi-purpose co-operatives, this restricts the franchise for the farmers to a considerable extent. Taken in conjunction with this difficulty mentioned above, the farmers' constituency has become too narrow and unrepresentative. We are, therefore constrained to suggest rather hold amendment to the effect that clause (a) of Rule 8 be deleted altogether. This will restore the agriculturists' constituency to the entire community of agriculturists. We are conscious that this will mean a considerable increase in the administrative work, but if the principle of representation is to be adhered to, there appears to be no escape from this. If a principle is accepted, it is our duty to see that its application is fair and thorough, and is not sought to be restricted either for the sake of administrative convenience or as an excuse for promoting some other desirable movement".

The traders' constituency generally consists of licensees and registered functionaries. The traders are to elect the representa-

tives of the Co-operative Sale Organisations in the constituency. As regards the representatives of local authorities, the Bombay, M.P. and Mysore Acts provide that the members representing local bodies are to be elected from among the members of those bodies. According to the Bombay Rules, if the market area lies within the limits of more than one local authority, each local authority is required to select three persons from amongst the Councillors or the members of such local authorities and the persons so selected shall be qualified to vote for the election of a representative of such bodies.

(f) *Qualifications for members of Market Committee*:—The normal disqualifications for the membership of market committee, as provided in the rules of Mysore, Madras, Punjab and Pepsu States are :—

(a) not being a voter ;

(b) being less than 21 years of age or being of unsound mind or being an undischarged bankrupt, or convicted for an offence punishable with imprisonment for a term, exceeding six months ;

(c) being a servant of a market committee ; or

(d) being a licensee holding a licence other than a trade licence.

In Bombay and Mysore Acts, provisions exist under which for eligibility for membership residence within the area served by a market is essential. Disqualification further extends to persons who are guilty of misconduct in the discharge of duties or guilty of disgraceful conduct or to persons who have become incapable of performing duties of a member. In the Punjab and Pepsu Rules, disqualification extends to women on the ground of sex. In the Madras Act, conviction by a Court of Law for an offence under the Commercial Crops Markets Act is also a disqualification for membership of the Committee. As regards the tenure of Office of the Committee the Bombay Act provides that when a Market Committee is constituted for the first time, it shall hold office for a period of two years only. In the Hyderabad and Madras Acts, this period is only for one year. But in Madras this period may be extended up to a further period of one year. The Madhya Pradesh and Mysore Acts

have relegated the question of the term of office of the members of the committee to the rules framed under the respective Acts. The ordinary period for which the market committee holds office when elected is three years in Bombay, Madras and the Punjab States, while it is two years in the case of Hyderabad.

Trade Allowances

Every Market Committee is a body corporate by such name as is specified in the notification establishing it. It has a perpetual succession and a common seal. It may sue and be used in its corporate name, and it is competent to acquire and hold property both moveable and immoveable, to lease, or sell or otherwise transfer any moveable or immoveable property which may have become vested in it or have been acquired by it. It is also competent to contract and do all other things necessary for the purpose for which it is established. The Madhya Pradesh Pepsu and Punjab Acts have imposed certain restrictions on these rights and duties.

(8) *Appointment of Sub-Committees and Joint Committees and Delegation of Power* :—(a) The Market Committee may appoint from amongst its members a sub-committee or a joint committee for the transaction of any business or for the performance of any of its duties and functions and may delegate to such committees or to one or more members of them such of its own powers as it may deem fit. Although power is taken for the appointment of as many sub-committees as are necessary for the performance of its functions in all the Acts, it is generally found in practice that a Dispute Sub-Committee is only appointed except in the case of the Madras State where three Sub-Committees, viz., a Dispute Sub-Committee, an Executive Sub-Committee and an Appointment Sub-Committee, are appointed. This is perhaps due to the fact that the Market Committee in Madras is constituted for the whole of the district and not for individual markets as is the case in other States.

(b) *Duties of the Committee* :—All the Acts provided that it is the duty of the Market Committee to enforce the provisions of the Act, the Rules and the Bye-laws.

(c) *Supersession of a Market Committee and removal of Members*:—A common provision exists in all the Acts to the effect that if in the opinion of the State Government, a market committee is unable to perform its functions or persistently makes default, in the performance of its duties, or exceeds or abuses its powers, the State Government may supersede or dissolve such Committee after giving a reasonable opportunity to it for showing cause against the proposal. This provision regarding the giving of an opportunity for explanation or objection against the proposal is not found in the Hyderabad Act. After hearing any objection or explanation, the State Government may, at its discretion, either constitute a new Committee according to the provisions of the Act or appoint such other authority for the carrying out the functions of the Committee as it deems fit. In Madras the period prescribed for supersession is two years in the first instance, and this may be extended from time to time or a total period not exceeding four years. Besides the supersession of the Committee, the Bombay, Punjab and Pepsu Acts also provide for the removal of individual members of the Committee from office, subject to the condition that such members are to be given an opportunity to show cause against the proposal.

(9) *Appointment of Officers and Servants of Market Committees and their Salaries*:—All the Acts state that subject to such rules as may be made by the State Governments in that behalf, a Market Committee may employ such officers and servants as may be necessary for the management of the market and pay them such salaries, allowances or gratuities as it may deem fit or necessary. Under the Punjab, M.P. and Pepsu Acts, every officer, servant or a member of a market committee enjoys the status of a public servant within the meaning of Section 74 of the I.P.C. but in the Madras Act, only the employees, the Chairman and Vice-Chairman have been recognized as public servants.

(10) *Execution of Contracts*:—All the Acts provide that every contract entered into by a Market Committee is to be written and signed by its chairman on behalf of the market committee, and two other members of the committee. In the Punjab Act, it is the Vice-Chairman who is to sign, if the Chairman is unable to act.

(11) *Levy of Fees* :—All the Acts and the Rules framed thereunder provide that the Market Committee may, subject to such maxima as may be laid down, levy fees on the agricultural produce, bought and sold within the market area. Except in the Madras, Punjab, Hyderabad and Pepsu Acts, fixation of maximum of fees is left to the bye-laws to be framed by the Market Committee. In the case of Hyderabad, the maximum fee is fixed at four annas per cent for every hundred rupees worth of produce sold in the market. In Madras the levy of fees varies from one anna per maund in case of potatoes to As. 15 per candy of 500 lbs. of flue-cured tobacco. One anna per maund is the maximum that is provided under the Punjab and Pepsu Acts and these Acts further provide that no fee shall be leviable in respect of any transaction wherein the delivery of agricultural produce bought or sold is not actually made. Under the Rules, agricultural produce is deemed to have been bought and sold in notified market area, if the agreement of sale or purchase thereof is entered into in that area or agricultural produce is weighed in the said area in the implementation of the agreement or it is delivered in pursuance of such agreement. If, however, two or more Acts relating to the produce have been performed, within the boundaries of two or more market areas, the market fee shall be payable to the Market Committee within whose boundaries agricultural produce has been weighed. But if no such weighing has taken place, the fees will be payable to that Market Committee, within whose jurisdiction agricultural produce has been delivered. Under the Bombay Rules, no fee can be levied on agricultural produce brought from outside the market area for use for the industrial concerns situated in the market area or for export and in respect of which a declaration has been made and a certificate has been furnished in the prescribed form. It is further laid down that fees on agricultural produce would be payable as soon as it is brought into the market yard or market proper or market area as may be prescribed in the bye-laws. Under the Punjab and Pepsu Rules, fee is payable on the day of transaction, or on the following day either to the Market Committee or to a paid official duly authorized to receive such payment. As regards collection of fees, there is no uniformity in regard to the practice followed. The Bombay Act provides that the market fee is to be collected from the licensee but deduction

on account of fee so paid by the licensee is allowed from the sale proceeds handed over to the sellers. In Hyderabad it is provided that the fee may be collected from the licensed Adatiyas or licensed buyers, or from the producer himself directly or indirectly. In the Madras Act, it is the purchaser from whom the market fee is collected. If the buyers and sellers are both the licensees, the fee shall be collected from them in equal shares as per the provisions of the Punjab and Pepsu Acts.

(12) *Market Committee Fund*:— All moneys received by a market committee are paid into a fund called the "Market Committee Fund". In the Madhya Pradesh, it is termed simply 'Market Fund'. All expenses incurred by the market committee for the purpose of the Act are defrayed out of this Fund. The main purposes for which this Fund may be utilized are summarised below :—

- (a) The maintenance and improvement of the market.
- (b) The expenditure on the acquisition of a site or sites for the market (specifically stated in the Bombay, Madras, Punjab, Mysore and Pepsu Acts).
- (c) The construction and repair of buildings, shelters, parking accommodation etc., which are necessary for the purposes of each market and for the health, convenience and safety of persons using the market. (No such provision exists in the Punjab and Pepsu Acts).
- (d) The pay allowances, gratuities and contributions to provident fund etc. of the officers and servants employed by the market committee.
- (e) The provision and maintenance of standard weights and measures. (No such provision exists in Hyderabad and Madhya Pradesh Acts).
- (f) The payment of interest on loans that may be raised for the purpose of a market and the provision of sinking fund in respect of such loan. ((All the Acts provide for this except Hyderabad).
- (g) The collection and dissemination of market news or information and propaganda in favour of agricultural im-

provements and thrift etc. (All Acts provide for this except the Madhya Pradesh and Hyderabad Acts).

- (h) Expenses incidental to elections. (No such provision exists in the Punjab, Pepsu and Hyderabad Acts).
- (i) Audit of accounts. This provision exists in the Punjab, Pepsu and Madhya Pradesh Acts. In Bombay the accounts of the Market Committee are audited by a member of the Audit Staff of the Co-operative Department on payment of such fees as are prescribed from time to time. In Madras, a Market Committee is required to pay towards the cost of local audit establishment, a contribution not exceeding 3% of the total annual expenditure as may be determined by the Government in each case.

There is, however, no uniformity in regard to the utilization of the surplus, i.e., the balance of unexpended income. In Bombay, the surplus amount remaining at the close of the year is credited to a permanent fund and is allowed to be used only in incurring expenditure of a permanent nature such as the construction of buildings or the acquisition or purchase of sites. In Madras all the surplus is required to be invested in such Banks and Securities and in such manner as may be approved by the Director of Agriculture. Any withdrawal from such deposit or investment can be made only with the previous permission of the Director of Agriculture. In Madhya Pradesh such unexpended balances go to the local Municipal Committees or District Boards. In Pepsu every market committee is required to contribute to the State Marketing Board out of its funds towards meeting the cost of establishment maintained by the Board. In Hyderabad a Central Fund has been created by the Government under a special order. All the regulated markets have to contribute towards this fund 40 per cent of their annual income. The Central Fund is utilized for meeting the expenditure incurred on both the supervisory and audit staff and also for meeting the deficit in those regulated markets which are unable to balance their budgets from their income. The surplus funds are also utilized for improvement of the market yards and for providing other amenities on them.

(13) *Power to Borrow*:—In most of the States the Market Committee may, with the previous sanction of the Government, raise money required for the purposes for which it is established on the security of any property vested in it or belonging to it and on the security of any fees leviable by the market committees under the Acts. The Market Committee may also borrow for the purpose of meeting the initial expenditure on lands, buildings and equipment required for establishing the market and may also obtain a loan from the Government on such conditions and subject to such rules as may be prescribed.

(14) *Unauthorized Allowances*:—The various Acts prohibit the permitting or receiving any trade allowance other than an allowance provided in the rules and bye-laws framed under the Act in respect of agricultural produce concerned. They further provide that no civil court shall in any suit or proceeding arising out of such transaction in any such market, have regard to or recognize any trade allowance not so prescribed. The illegal trade allowance is defined in the various Acts as "Every deduction other than a deduction on account of deviation from a sample when a purchase is made by sample or on account of deviation from a standard when a purchase is made by reference to a standard, or on account of the difference between actual weight of the container and the standard weight, or on account of admixture of foreign matter". Here it is suggested that the word 'fraudulent' should be added before the word 'admixture', so that the agriculturist can be punished only if he fraudulently adulterates his goods. Otherwise, in the ordinary course, agricultural produce is founded to be mixed with some dirt or foreign matter unless it is particularly sieved and brought to the market. In some Acts it is provided that all the samples must be returned after weighment or paid for separately.

(15) *Power to Make Rules*:—All the Acts state that the Government may, either generally or specially in any market area or areas, make rules consistent with the Act for carrying out all or any of the purposes thereof. Specific mention of some of the purposes for which rules may be framed has been made in the various Acts and some of the common items in the list of topics are mentioned below :—

(1) Election and nomination of members of the Market Committee.

(2) Powers to be exercised and functions to be performed by the Market Committee.

(3) Tenure of the office of members of Market Committee. the Vice-Chairman and Chairman.

(4) Filling of casual vacancies in the office of the member of the Committee or Chairman of the Market Committee.

(5) Conditions for the issue of licences.

(6) Market and licence fees.

(7) The kind and description of weights, their periodical inspection and the weighing and measuring instruments which alone should be used in transactions relating to the agricultural produce in the market area.

(8) Trade allowances.

(9) Preparation of plans and estimates for works proposed to be constructed.

(10) Prescription of accounts and forms.

(11) Preparation and submission of annual budgets of income and expenditure and the annual administration reports of the work of the Committee and other returns to be submitted.

(12) Investment and disposal of the surplus funds of the Market Committee.

Rules to be framed by a State Government require previous publication. The Bombay, Madras, Madhya Pradesh and Punjab Acts provide that the Rules shall be laid on the Assembly Table in the next session thereof, but in Bombay and Madras, the rules require to be placed before each of the chambers of the State Legislature, and it is further provided in the Bombay and Punjab Acts that the Rules shall be liable to be rescinded or modified as per resolution passed in each of the chambers of the State Legislature. In Bombay, it is laid down that if the State Government were of the opinion that such modification or rescission is likely to defeat or frustrate any of the purposes of

the Act, the State Government may, by a notification, declare that the modification or rescission suggested shall have no effect.

(16) *The Bye-laws*:—Most of the Acts provide that subject to any rules made by the State Government, the Market Committee, may, in respect of the Market under its management, make bye-laws for :—

- (a) regulation of business ;
- (b) the conditions of trading ;
- (c) the appointment and punishment of its officers and servants ;
- (d) the payment of salaries, gratuities, allowances and contribution to any provident fund which may be established for the benefit of such employees ;
- (e) the delegation of powers, duties and functions to a sub-committee ; if any.

The Bombay, Madras, Hyderabad and Mysore Acts provide that the bye-laws are to be approved by the officer designated by the Government in this behalf. In Madhya Pradesh, Pepsu and Punjab, the bye-laws are required to be published previously, and notified finally in the Government Gazette. The Madras Act goes one step further and provides that if a market committee fails to make bye-laws within one month of its constitution, the Director of Agriculture himself may make bye-laws which would remain in force until the Committee frames its own bye-laws. Contravention of the bye-laws is made punishable in most of the Acts on conviction with a fine to the extent of Rs. 50/-.

(17) *The Penalties*:—Penalties on conviction prescribed under various Acts for infringement of the provisions of the Act, Rules and Bye-laws are given in the Table on the next page :

(18) *Trial of Offences*:—There is a common provision in all the Acts for trial of offences declared punishable under certain sections of the Act, Rules or Bye-laws framed thereunder. The offences are triable generally by a Magistrate of the First Class, but in Bombay the offence can be tried by a Second Class Magistrate, if specially empowered in that behalf. The Hyder-

abad and Mysore Acts provide that the fines recovered from offenders shall be payable to the Market Committee concerned, but in Madras, Punjab and Pepsu Acts it is laid down that fines recovered from the offenders shall be paid into the State coffers but a grant-in-aid equivalent to the amount so credited shall be made over by the State Government to the Market Committee concerned.

(19) (a) *Special Provisions in the Bombay Act* :—Every sum due from a market committee to the State Government is recoverable as an arrear of land revenue. The State Government may at any time call for and examine the proceedings of any market committee for the purpose of satisfying itself as to the legality or propriety of any decision or order passed by the Market Committee under the Rules. If in any case it appears to the State Government that any decision or order or proceedings should be modified, annulled or reversed, the State Government may pass such orders as it may deem fit in the matter. Similarly, when any difference arises between a Weights and Measures Inspector and any person interested as to the interpretation of rules and the method of verifying or stamping of weights and scales, such a difference may, at the request of the person interested, or by the Inspector of his own accord, be referred to the market committee and the decision of that committee, subject to an appeal to the State Government, shall be final.

(b) *Special Provisions in the Madras Act* :—The special provisions in the Madras Act relate to the following matters :—

(i) Power of the Market Committee to levy subscriptions for collecting and disseminating crop and market statistics.

(ii) Power to write off irrecoverable fees or other amounts due not exceeding Rs. 100 with the previous sanction of the State Government.

(iii) Registration of documents executed on behalf of the market Committee.

(c) *Bar of Suits* :—Except in the States of Hyderabad, Madras and Mysore, there is a provision of bar of suits in a civil court in all other State Acts.

Penalties prescribed for infringing of the provisions in the Act, and the Rules

Name of the State	For setting up or establishing or allowing to be set-up established or continued, any place for the sale or purchase of any agricultural produce in a notified market area except under a license and except in accordance with the provisions of the Act, Rules & Bye-laws.	For Recovering Trade Allowances other than an allowance provided in the Act, the Rules and the Bye-laws i.e. Recovering unauthorised Trade Allowances.	For carrying on Trade without prescribed or requisite license.	For using unauthorised weights and measures and scales.	For carrying occupation a broker, weigher, surveyor or rater without license or a badge in an Measurer Weighman.
1	2	3	4	5	6
1. Bombay	Fine upto Rs. 500/- on conviction and in the case of continued contravention a further fine upto Rs. 100/- for every day during which contravention takes place after first conviction.	Fine on conviction upto Rs. 200/-	Fine on conviction upto Rs. 200/- and in the case of continued contravention a further fine upto Rs. 50/- per day subject to maximum of Rs. 200/-	Fine on conviction upto Rs. 200/- in addition to compensation of weights measures and scales.	Fine on conviction upto Rs.
2. Madras	do	Upto Rs. 200/-	Upto Rs. 100/- per day.	Upto Rs. 200/-	Upto Rs. 200/-
3. Madhya Pradesh	do	Upto Rs. 50/-	Upto Rs. 50/- per day	Upto Rs. 50/-	Upto Rs. 50/-
4. Hyderabad	do	do	do	do	Upto Rs. 50/- in the continued contravention Rs. per day.
5. Mysore	do	do	do	do	Upto Rs. 50/-
6. Punjab	Respective fines upto Rs. 500/- and Rs. 30/-	Upto Rs. 100/-	—	—	Fine upto Rs and in case of continued contravention Rs. 2/- day.
7. Pepsu	do	do	do	do	Nil
8. Madhya Bharat	Respective fines up to Rs. 250/- & Rs. 25/-	upto Rs. 200/-	N.A.	N.A.	Nil

Note:—In Bombay the disobedience of orders of a Market Committee is also made punishable with fine for the first offence and to Rs. 50/- for any subsequent offence.

is in the Act, and the Rules and the Bye-Laws.

For using unauthorised weights and measures and scales.	For carrying on occupation as a broker, weighman, surveyor or measurer without a license or without a badge in case of Measurer or Weighman.	For infringement of any Rules under the act.	For infringement of any bye-laws
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5	6	7	8
Fine on conviction upto Rs. 200/- in addition to compensation of weights measures and scales.	Fine on conviction upto Rs. 200/-	Fine on conviction upto Rs. 200	Fine on conviction upto Rs. 100/-
Upto Rs. 200/-	Upto Rs. 200/-	Upto Rs. 200/-	Upto Rs. 50/-
Upto Rs. 50/-	Upto Rs. 50/-	Upto Rs. 500/-	—
do	Upto Rs. 50/- and in the case of continued contravention Rs. 100/- per day.	do	Upto Rs. 50/-
do	Upto Rs. 50/-	do	do
—	Fine upto Rs. 50/- and in case of continued contravention Rs. 2/- per day.	do	do
do	Nil	do	do
N.A.	Nil	Nil	Nil

o made punishable with fine on conviction which may extend to Rs.10/-.

(20) *Rules under the Act*:—Important matters that are dealt with in the Rules are mentioned below :—

(a) *Market Committee and its Functions*:—A Market Committee is the principal body to carry out the provisions of the Act and the Rules thereunder and it, therefore, enjoys wide powers and is also responsible for the proper administration of a regulated market through its employees and sub-committees appointed, if any when necessary. Its functions are :—

(i) To keep a minute book for recording the proceedings of the Meetings of the Market Committee.

(ii) To maintain a proper cash-book for recording the receipt of moneys.

(iii) To control and maintain the market yards in accordance with the provisions of the Act and the Rules and subject to special or general orders of Government.

(iv) To prescribe the hours of trading and hours of ingress and egress for persons and carts.

(v) To provide for the proper upkeep of the building, roads, wells, water-troughs and for the health, convenience and safety of persons using the market.

(vi) To provide for the proper storage accommodation for agricultural produce in the market (Madras and Bombay).

(vii) To maintain standard weights and measures and weighing and measuring instruments.

(viii) To take steps for the prevention of adulteration of agricultural produce in the market area. (Bombay State).

(ix) To maintain a set of samples of standard grades of agricultural produce sold at the market for the use of buyers and sellers. (Bombay).

(x) To draw up standard forms of contract for trading in commercial crops and publish their prices ruling at principal market centres and also to publish the stocks held by mills and other traders. (Madras).

(xi) To carry out the work of grading of agricultural produce. (Bombay State).

(xii) To carry out or supervise the ginning and pressing of pure varieties of cotton brought into the market. (Bombay State).

(xiii) To maintain the daily lists of prices of different types and grades of agricultural produce in respect of which the market is established. (Bombay).

(xiv) To carry on propaganda for improvement of cultivation and marketing. (Madras).

The Market Committee has the power to call upon the owner or manager of any business concern or a trader in the market area to furnish information in respect of all the agricultural produce handled by him for the purpose of exercising proper control over the market. Every Committee has to elect its own chairman among the members of the committee. This is, however, subject to the approval of the Government in Hyderabad. The Chairman, being the chief executive officer of the committee, is responsible for the proper working of the market in accordance with the provisions contained in the Act, Rules and Bye-laws and for the fulfilment of the objects for which the market is established. He is further responsible for the proper maintenance of order in the market. He generally presides over the meeting of the Market Committee and lays down the lines of general policy. As already mentioned, a minute book is required to be kept by every market committee and a record of the proceedings of every meeting shall be made therein under the supervision of the officer presiding over the meeting and it will also be signed by him. The Minute book is a permanent record and is open to inspection at all reasonable hours to the members of the market committee and to the Director of agricultural Marketing Department in the State.

(b) *Provisions for Trading in the Market* :—In order to protect the interests of producer-sellers and to promote fair trading, provisions exist in respect of the following matters :—

(i) Prescription of an agreement between the buyer and seller for the transactions entered into in the market. (Bombay, Madhya Pradesh and Mysore).

(ii) Registration or licensing of traders and commission agents and other market functionaries. In Bombay the licensing of brokers, weighmen and measures is also necessary.

(iii) The fixation of charges that may be levied by the functionaries.

(iv) Provision for the maintenance of books and accounts to be kept by traders, commission agents and other functionaries.

(v) Fixation of market charges and trade allowances.

(vi) Levy of licence fees.

(vii) Wearing of Badges by the servants of the Market Committee and by market functionaries.

(xiii) Use of correct weights and measures.

(ix) Provision for auction bids etc.

(x) Prescription of penalties for violation of the provisions contained in the rules.

It may be observed that in regard to these various matters, rules in different States differ.

(c) *Levy of Market Charges by Functionaries and other matters* :—In Bombay, the charges for brokerage, for weighing, for measuring and surveying are left to be determined by the bye-laws. In Hyderabad, Madras and Mysore, the fees chargeable by the functionaries are prescribed by the Committee. In order to save unnecessary charges for the marketing service to be rendered by the functionaries like a surveyor or a commission agent, the rules provide that a producer need not engage a functionary. The Rules further provide that Adatiyas and brokers should not make purchases or effect sales of agricultural produce for themselves or on their own behalf. Some of the Rules prescribe payment of purchase-money or sale-proceeds on the very day of purchase or sale. In order to ensure closer watch over the transactions the Rules prescribe that all the sales of regulated commodity be effected at a definite place only and the market committees are enjoined to keep accounts of sales taking place.

(d) *Standard Weights and Measures* :—Provisions exist in the various rules for the use of standard weights and measures and correct scales as well. Weights and measures to be used in the market area are prescribed by the Committee. The units of price quotation in the various markets are also laid down. Provision for inspection of weights and measures by the Chairman and

members of the Committee and salaried officials is also made in the rules. Weights and measures and weighing and measuring instruments are required to be verified at regular intervals and stamped either by an Inspector or by an employee of the market committee. These are required to be produced on a requisition in writing by the Chairman.

(e) *Appointment of Staff*— This matter is left generally to the discretion of the market committee subject to some Government control and supervision. In Hyderabad, the Committee has absolute discretion to appoint such staff as may be needed and pay such scales of salaries as it deems fit. In actual practice this is done in consultation with the Chief Marketing Officer. In Bombay, these powers are subject to any rules framed by the State Government, and they are generally subject to the approval of the Director of Marketing. In regard to superior servants, the Committee is free to make appointments, but disciplinary action, if any, to be taken, has to be referred to the Director. In Madras, the Secretary of the Market Committee is appointed by the State Government but he is subject to the disciplinary control of the Chairman. The Government in Madras exercises control over the staff of a market committee through the Secretary who controls the staff. In Mysore, the Committee appoints the necessary staff, but their remuneration has to be approved by the Chief Marketing Officer. The Chief Marketing Officer hears the appeal against any disciplinary action against any member of the staff by the Committee.

(f) *Miscellaneous Provisions* :—Miscellaneous matters such as preparation and presentation of annual budgets, of income and expenditure, preparation of annual administration report, preparation of annual accounts for the purpose of audit, supervision of works and procedure for expenditure etc. are also provided in the rules under the Act, and there is not much variation in respect of these matters.

(21) *General Observations in regard to the Future Lines of Development* :—As will be seen from what is stated in previous paragraphs, market legislation has been introduced in only nine out of twenty-eight states, if Saurashtra also were included in the list, as marketing legislation was introduced in that

State only recently, i.e. during 1955. Even among the States where legislation has been introduced and enforced, it is only in Bombay and Hyderabad that substantial progress has been achieved. It is reported that substantial progress has also been recorded in Pepsu. Even here, village sales still remain unregulated and a number of markets are yet to be brought under the regulatory orbit. It is only in Bombay that regulation of markets for cattle, fruits and vegetables has been undertaken. In regard to the coverage of major agricultural commodities, it may be noted that regulation extends only to a small portion of agricultural production and the Acts require, therefore, to be made applicable to new markets and additional commodities. In the Second Five Year Plan, the various State Governments have made suitable provisions for regulation of markets. As already stated, the Government of Bombay contemplate the raising of the number of regulated markets, from 102 to 171 by the end of the Plan period. Provisions are also made for making loans to various market committees in order to enable them to put up buildings in the market yards and acquisition of sites. In Hyderabad, the Plan proposes to bring 24 more markets within the regulatory orbit and a considerable sum has been provided for undertaking works with a view to providing amenities in the existing markets. Similarly, Plans formulated by other States have made provision not only for increasing the number of regulated markets, but also for increasing the efficiency of market services in the existing markets. The number of regulated markets was expected to increase to 480 at the end of the First Five Year Plan. In the Second Five Year Plan, it is proposed to bring another 500 to 600 markets under the scheme of development of agricultural marketing, thus bringing the total number to at least 1,000 by the end of the Second Five Year Plan period, i.e., 1960-61. The various State Governments have schemes under way for increasing the utility of the Acts by better enforcement of the provisions and by setting up more efficient market committees. As regards rationalization of market practices, there is considerable scope still for improving the methods of sale in most of the markets. The Hatha system (the system of sale under a cover of cloth) still prevails in some of the markets. The Fardi system which prevails in the Hyderabad Markets requires to be replaced, as it is responsible for the system of Kadta or reduction in price. The financial

position of some of the markets is yet unsatisfactory, and it prevents them from undertaking ameliorative works, providing amenities to the users of the market. If the markets are to fulfil the objects for which they are established, it is necessary to strengthen their financial resources by increasing the levy of fees on an ad valorem basis on produce entering the market for sale, as has been done in the Hyderabad Markets. The Dantwalla Committee emphasised this aspect in no uncertain terms in the following passage :—

“...The total income of the 57 markets in the year ending June 1950 was only Rs. 7 lakhs ; this works out to less than 0.2 per cent of the value of the produce handled. The Market Committees perform some very useful services both to the agriculturists as well as to the businessmen. They have succeeded in a large measure in reducing the unjustifiable market charges. We therefore, feel that the Market Committees are entitled to a much larger share of income than they derive at present. On the other hand, we are told that already there is dissatisfaction over the question of the cess and the licence fees. We feel that if both the merchants and the agriculturists are persuaded to look at the problem in the manner that we have posed above, this dissatisfaction would disappear. There is a natural tendency on the part of every one to resist any charges which add to the expenses or reduce the income ; but it is high time that the groups interested are advised to take a more enlightened view of such charges and maintain a sense of proportion. Agricultural prices have risen from anything, between 400 to 700 per cent and, as already pointed out, the ad valorem incidence of the cess and licence fee taken together is almost negligible. We therefore, feel that as and when necessary, the Market Committees could augment their income by an increase in the cess. If it could be shown that the money so collected is being used for the improvement of marketing, there would be no harm even in doubling the cess. The Chief Marketing Officer and his staff have told us in no uncertain terms that this would be resented by the agriculturists. We were also told that the Department has always maintained that the reliance on cess, since it is paid by the agriculturists, should be as little as possible. Though we accept that there should not be any unnecessary burden on the agriculturist, we would plead for a sense

of proportion in viewing this question and after due consideration of all the facts, we are firmly of the opinion that the doubling of the cess would entail no hardship worth the name on the cultivators, especially in view of the prevailing high prices”.

Some of the old regulated markets have already introduced reforms and they can, without difficulty, introduce grading of farm produce before sale, and encourage trading on the basis of standard contracts. They can also undertake warehousing activity, aided by the State Warehousing Corporations in the new set-up, that is emerging. Much would, therefore, depend on the efficiency and integrity of the market committees which are the chief executive bodies for carrying out the objects of the legislation. Care should, therefore, be taken by the authorities concerned in selecting proper personnel on these Committees not only when they are constituted for the first time but also thereafter in so far as nominated personnel is concerned.*

PART II

REGULATED MARKETS IN THE BOMBAY STATE

Agricultural Production and Marketable Surplus

The Bombay State has a population of 36 million, of which 69 per cent is rural as against the All-India average of 73 per cent. Out of an annual output of Rs. 1,200 crores of the State, as much as 41% is derived from agriculture, livestock, forestry and fisheries. The agricultural production of the State during 1951-52 was estimated at Rs. 342 crores. Cereals and pulses accounted for a little over 50 per cent of the total output. Among the cash crops, seeds topped the list with groundnut accounting for Rs. 28 crores and others for about 4 crores. The next major crop was gur, whose production was estimated at Rs. 32 crores, while cotton and tobacco were valued at Rs. 19 and 16 crores respectively. It may be noted that 90% of the total agricultural

* This part pertaining to legislation is based on "Agricultural Marketing in India—Regulated Markets, Volume I—Legislation" published by the Govt. of India, Ministry of Food and Agriculture Directorate of Marketing and Inspection.

output in terms of value was claimed by grain, seeds, cotton, gur and tobacco.

Owing to the vagaries of the monsoon, which waters 93.2% of the land under cultivation in the State and a combination of other uncertainties, the amounts of agricultural production and marketable surplus vary from year to year for the State as a whole, as between one part and the other and also in respect of individual farmers as well as individual commodities. The following statement shows total output and marketable surplus during 1951-52 (Vide page 15—Report of the Export Committee on the Review of the Bombay Agricultural Produce Markets Act, 1939).

				Production		Marketable Surplus	
				(000 omitted)	Value in	(000 omitted)	Value in
				Tons	lakhs	Tons	lakhs
					Rs.		Rs.
1.	Cereals	...	...	64,827	19,645	14,624	4,688
2.	Pulses	...	...	7,502	1,420	5,655	1,794
Total Cereals and Pulses				71,829	21,065	20,279	6,482
				Bales	Rs.	Bales	Rs.
3.	Cotton	...	...	5,477	1,947	5,225	1,849
4.	Groundnut	...	...	5,238	2,838	4,453	2,404
5.	Other Oil-Seeds	...	...	507	328	481	279
Total of Seeds				5,475	3,150	4,884	2,683
				Tons	Rs.	Tons	Rs.
6.	Tobacco	...	...	397	1,554	377	1,476
7.	Sugarcane and Sugar	...	...	6,061	3,237	5,995	2,918
8.	Fruits, Vegetables and Fodder	...	...	—	1,050	—	1,000
9.	Condiments and Spices	...	...	NA	950	NA	900
10.	Miscellaneous Crops	...	...	—	200	—	150
Total					34,179		17,453

The above statistics indicate that the marketable surplus in respect of agricultural produce of the State is in the neighbourhood of 175 crores per annum. During 1953-54, agricultural produce sold in the regulated markets was estimated at Rs. 50 crores, forming less than a third of the marketable surplus.

Origin and History of Legislation regarding the Regulated Markets in the Bombay State

At the time when the Royal Commission on Agriculture reported, it was only in Berar that regulated markets had been established under the provisions of the Cotton and Grain Markets Act, 1927. The main object of the legislation was to secure to the cultivator better prices, fairer weighment, and freedom from illegal deductions. The Royal Commission on Agriculture found the Bombay Act to be decidedly an improvement over the Berar legislation in many directions and emphasized the need for special legislation to secure the three-fold benefits mentioned in the Bombay Act. They further recommended that the law should be extended to include other agricultural products as well, particularly cash or money crops. Such regulated markets were, in the opinion of the Commission, useful also to the purchasers of various agricultural commodities and the general public.

Application of the Act to Dhulia Market

The Bombay Cotton Markets Act was first applied to Dhulia Market in the year 1930. The average annual arrivals of seed cotton and lint amounted to 45,000 carts and 1,000 carts respectively in this market. The market contained no buildings except the office rooms. The market committee had fourteen members including 7 representatives of growers, four of local traders and one each of the Agricultural department, the Municipal Board and the District Board. The work of the Market Committee was controlled by the district revenue officers. The Market Committee performed its duties through three sub-committees, viz., Executive, Audit and Dispute. In case of disputes, sellers and buyers were first allowed to make up their differences amicably. On their failure, the matter was referred to the Market Superintendent who went to the spot and tried to settle the dispute. If the Superintendent also failed, the case was referred to the Dispute Sub-Committee. A complaint fee of four annas was charged for referring every case to the Dispute-Sub-Committee. Only one member of the Dispute Sub-Committee formed a quorum and his decision was final and binding. Normally, the settlement of a dispute did not take more than four hours. Thus settlement of disputes in a prompt and impartial manner was a feature of the working of

this market. Buyers, Dalals and weighmen were licensed by the Committee and the annual fees they had to pay were Rs. 10, Rs. 30 and Rs. 5/- respectively. After regulation of the market the producer-seller could save 50 per cent of the market charges and all the charges payable by the seller had been clearly defined. The income of the market constituted a market fund and was derived from market cess at the rate of As. 2 per cart, registration and licensing fees, sale of manure and grass and rents of shops. The total annual income of the market was in the neighbourhood of Rs. 7,000/- and the total outgo was Rs. 5,000/-, the main items of expenditure being, payment of salaries of staff, contingencies, etc. Other features of the working of this market were as follows: The ruling prices in Bombay and New York Markets were received by telegrams and put at the gate for the information of buyers and sellers. Weights and scales used in the market were checked by the Government Inspector of Weights and Measures and stamped under the Bombay Weights and Measures Act, 1932. Weighment was done at the ginning factories by licensed weighmen. The practice of settling prices under the cover of cloth is the only undesirable feature of the working of this market which persists even today even after the market came to be regulated under the provisions of the Agricultural Produce Markets Act, 1939. The application of the Bombay Cotton Markets Act, 1927, was subsequently extended to six other markets, viz., Dondaicha, Jalgaon, Amalner, Bailhongal, Bijapur and Baramati. It was not until the year 1939 that legislation on the lines recommended by the Royal Commission on Agriculture to include other agricultural products was enacted in this State. With the passing of the Agricultural Produce Markets Act, 1939, the Cotton Market Act, 1927, was repealed and the markets regulated under that Act were deemed to be markets established under the Agricultural Produce Markets Act, 1939. The salient features of this Act are as under :—

(i) The market charges are clearly defined and excessive charges are reduced and unwarranted or unjustifiable charges prohibited.

(ii) Market practices are regulated and market functionaries are licensed.

(iii) Correct weighment of produce is ensured by individual inspection and verification of scales and weights by the licensing

of weighmen and provision of arrangements for the supervision of weights.

(iv) Provision of suitable arrangements for the settlement of disputes regarding quality, weighment, deductions, prevention of litigation and protection of the interests of the agriculturist.

(v) Insistence on prompt payment of the sale proceeds by the buyer to the seller.

(vi) Provision of arrangements for dissemination of correct and up-to-date market information to users of the market.

(vii) Fixation of Suitable quality standards and provision of standard contract terms for buying and selling.

(viii) Provision for sale by open auction or by open agreement.

(ix) Appointment of the market committee fully representative of agricultural producers, traders, local authority, and Government.

Other features of the Bombay Agricultural Produce Markets Act 1939 are given below :

The object as stated in the preamble is to provide for better regulation of buying and selling of agricultural produce and establishment of markets for that purpose. Agricultural produce includes also produce of agriculture, horticulture and animal husbandry specified in the schedule. The schedule includes fibres, cereals, pulses, oil-seeds, narcotics, gur, sugar, sugar-cane, fruits, vegetables, animal husbandry products, condiments and spices, grass and fodder, and cattle. New commodities can, however, be added or any of the existing ones removed by fresh notification. Agriculturist as defined in the Act is one who is engaged in the raising of agricultural produce either by himself or by tenants or through hired labour. It excludes a trader or a broker, even though he may be engaged in the raising of agricultural produce. The Government notifies its intention of exercising control over purchase and sale of agricultural produce in a specified area and after hearing objections against its proposal, it declares an area or a portion of it to be a market area in respect of agricultural products notified. At present the area of market in the Bombay State extends to one or two talukas. The major assembling market where the arrivals of produce exceed 15 lakhs of rupees are styled

as principal market-yards, but in a minor market where the value of arrivals of produce does not exceed Rs. 5 lakhs, sub-market-yards are established. Pending the establishment of a market, the State may grant a licence to any person to use any place in the notified area for the purpose of sale of any agricultural produce. After the establishment of the market, it is only the market committee that can give licence to any person for this purpose. No person can set up a place for the purpose of purchase or sale of any agricultural produce in the notified area except under a licence. If, however, the seller is himself a producer or his bona fide agent for transporting the same and the buyer purchases for his own private use, the place is not governed by the provisions of this Act. Provision also exists for the cancellation of a licence under certain conditions. The constitution of a market committee has already been dealt with in the first part of this chapter. Out of four seats reserved for traders, one seat is assigned for co-operative societies, but the voters are the traders. In the agriculturists' constituency, the members of the agriculturist-organization as defined in the rules are the voters. The first committee is nominated by Government and holds office for two years and subsequently the tenure of the committee is three years. Certain categories of persons are disqualified from being chosen as members of the market committee. Rule 6 of the Rules provides for additional disqualification for members of the committee. The Act provides that in the case of failure of any organization, person or authority to elect a person within a specified period of the occurrence of a vacancy, the State Government can call upon such organization or person or authority to elect a member within the specified period. On the failure of the person so addressed the State Government may nominate a person to represent such organization, person or authority. At present it is the Collectors in the Districts who have powers for the nomination of the first committee and on their recommendation, the Government nominates the first committee. They are also responsible for holding election thereafter. They are also empowered to hear appeals in respect of suspension and cancellation of licences. Every market committee is a body corporate by such name as is specified in the notification establishing it. It has a perpetual succession and a common seal and is empowered to do all things necessary for the purposes for which it is established. A Market Com-

mittee may appoint a Sub-Committee or a Joint Committee for the performance of any of its duties and may delegate to such a committee or to one or more of its members such of its own powers as it may deem fit. The appointments to superior posts under the committee are subject to the approval of the Director of Marketing. A Market Committee may employ such officers and servants as may be necessary and pay them such salaries, allowances, pensions or gratuities or contributions to provident fund as it may think necessary. Every contract entered into by a market committee has to be in writing and signed on its behalf by the Chairman of the Committee and two other members of the Committee.

Power to Levy Fees

The provisions in the Act and the Rules regarding the recovery of cess are rather ambiguous. The cess varies from region to region and from committee to committee. The Dantwalla Committee, which was appointed by the Government of Bombay to enquire into the working of regulated markets, recommended the levy of cess at an enhanced rate recoverable both from sellers and buyers. The report of that Committee, however, discouraged much reliance being placed on licence fees as a major source of revenue.

Market Committee Fund

All the moneys received by a market committee are to be paid into the fund called 'Market Committee Fund' and all expenses incurred by it for the purposes of the Act are to be met from that Fund. Any surplus is required to be deposited in a Treasury or a Sub-Treasury or a bank duly approved by the Government. The purposes for which the Fund can be utilized have already been set forth. A market committee is empowered to borrow funds for the purposes of the Act with the permission of the State Government and also raise loans from the Government itself for meeting the initial expenditure on lands, buildings, and other equipment required for establishing the market on conditions prescribed by the Government. The State Government acquires lands for the market committee and on payment of compensation award-

ed in the Land Acquisition proceedings and all other charges incidental thereto the land vests in the committee.

Trade allowances

Every deduction other than a deduction for deviation from sample or on account of deviation from a standard or on account of difference between the actual weight of the container and the standard weight or on account of admixture of foreign matter is regarded as an illegal trade allowance and a civil court is prohibited from recognising any trade allowance other than what is prescribed, in any suit or proceeding arising out of any transactions in the market. Provision exists in the Act for removal of members of the committee in certain eventualities, and penalties are also provided on conviction. As already mentioned, the trial for offences is also provided by Magistrates. Government has taken power to make rules for the purpose of carrying out the provisions of the Act. The Act further provides that every sum due to Government from a market committee is recoverable as an arrear of land revenue. The State Government is also empowered to call for proceedings of market committees and to pass necessary or appropriate orders thereon, as already mentioned.

Marketing Survey of Commodities to be regulated and carrying on of propaganda—a pre-requisite of regulation of markets

Before the question of regulation of markets could be taken up under the Agricultural Produce Markets Act, 1939, it is considered necessary by the Co-operative Department to make a preliminary marketing survey of the commodities to be brought under the purview of regulation on a planned basis and to do propaganda amongst the various interests concerned to prepare the ground. A preliminary survey is, therefore, normally undertaken by the Marketing staff of the Co-operative Department with a view to obtain information in the important assembling markets on the following points :—

- (i) Volume of annual sales of agricultural products effected in the assembling market and within the area to be declared as the market area.

- (ii) Proximity of the proposed market to the centres of production of commodities to be regulated.
- (iii) Situation of the proposed market and its juxta-position with the rail and the main road linking with the secondary or the terminal market.
- (iv) Nature of the existing malpractices prevailing in the unregulated market.
- (v) Availability or otherwise of facilities for the adequate storage of agricultural products and for provision of amenities such as shelter for men and animals, water, sanitation, etc.
- (vi) The income and expenditure position of the proposed market.
- (vii) Availability or otherwise of a suitable market site to serve as a market yard.
- (viii) An approximate estimate of the probable amount of reduction in the cost of marketing to the agriculturist after regulation of the market.
- (ix) A rough estimate of the benefits that would be derived from the regulation of a market in favour of the agriculturist.

If a preliminary investigation on the lines abovementioned is properly carried out so as to get the requisite information, it should afford a proper basis for framing proposals for the regulation of a market in a specified area with reference to specific commodities to be brought under the purview of regulated trading. Before a proposal for regulation of a market is finalized, it is further examined from certain broad points of view with a view to ensuring the smooth working of a regulated market if and when established. These points of view are summarized below :—

- (i) How far it is possible to exercise proper control over the existing market practices and various market charges and how far it is feasible to effect modifications or reductions therein in the interest of agriculturists.

- (ii) Whether the normal volume of trade carried on in a commodity or commodities to be brought under regulation is sufficient to justify the setting up of a regulated market in that commodity or commodities.
- (iii) What should be the extent of the proposed market area and whether it is possible to put the finances of a market committee on a self-supporting basis even at the outset, taking into account the number of commodities to be regulated.
- (iv) Whether it is possible to get proper co-operation from the leaders of the agricultural community in whose interests a particular market is projected and what would be the reaction of the trade interests affected and the local authority or authorities within whose jurisdiction the proposed market is to be set up.
- (v) What are the views of the officers of the local revenue department as regards the prospects of success of the proposed market with reference to particular commodities to be brought under regulation.
- (vi) Whether it is possible to acquire a suitable site for the purpose of the market yard.

Thus it will be seen that a marketing survey followed by exhaustive enquiries into all the circumstances affecting the regulation of trade in a particular commodity or commodities together with tactful propaganda amongst the various interest concerned in order to prepare the ground necessarily precede the setting up of a regulated market in a specific area.

Difficulties experienced by a Market Committee after establishment

There are a number of difficulties, therefore, which have to be faced in setting up regulated markets and after their establishment in working them. One of the most important of these is the acquisition of proper site for the market yard, office, and warehouses at fair prices, at places where the market committee under the Act is proposed to be set up. Unless a proper site is acquired, advantages of regulation would be practically very little, as the bulk of trade in agricultural commodities would not

be transacted in that event in the market yard under the close supervision of the market committee and its staff. It is pretty difficult to control transactions taking place outside the market yard nor would there be any effective competition amongst buyers for the purchase of agricultural products, if dealings are freely permitted in the premises beyond the market yard. In regard to the acquisition of a site for a market yard, the normal procedure hitherto followed was for Government to declare an area as a market area and to constitute a market committee; after its formal incorporation the market committee used to take steps for the acquisition of the land to serve as the market yard. After the land so acquired had vested in the committee and the market set up therein, Government used to declare the market proper and the market yard under the provisions of Rule 55 under the Agricultural Produce Markets Act. Thus the procedure followed in regard to the selection of the site for a regulated market involved considerably delay. In order to minimize or obviate such delays a modification in the procedure hitherto followed was considered essential and according to the procedure revised by Government the question of selecting the site is left to the Market committee after its nomination but in the meanwhile, it is open to the committee to hire a site as a temporary market wherein it would transact its business. If the site so selected as a temporary market were subsequently and finally selected by the committee to serve as a permanent market, the market committee could approach Government for notifying it as a permanent site. If however, the market committee were not in favour of the site temporarily selected for any reason, another site could as well be selected by it and after its acquisition, the Committee could shift from its temporary site to the newly acquired one for the transaction of business of the market. It is obvious that even here some time must necessarily elapse before the formalities of acquisition are gone through and it is noticed generally that the price of the proposed site for the market goes up as a result of the activities of speculators, landlords or other middlemen interested in the purchase and sale of lands. In order to put a stop to such speculative tendencies on the part of interested parties to some extent, it would appear necessary as a remedial measure for Government to issue a notification for land acquisition under Section 4 of the Land Acquisition Act simultaneously with

the issue of the notification under the Agricultural Produce Markets Act for the acquisition of a particular site for the purposes of the market in view on the recommendations of the Collector of the district concerned and the Director of Agricultural Marketing. In regard to the transactions that usually take place in the godowns that are situated outside the market yard, the difficulty could be overcome by the inclusion of godowns in the market yard for the time being.

Lack of Proper Personnel to work as Secretary of the Market Committee

If the market committees are to carry out the various reforms expected of them and to function efficiently, an essential condition is the provision of trained personnel to work as Secretary to carry on the day-to-day work of the market committee. The difficulty which a market committee has to face could be overcome if the Co-operative Department were to select proper personnel and get it trained at the Co-operative Training College, so that a reserve of suitable personnel properly equipped for their duty could be maintained by it and made available to the market committees on the condition that the cost on account of such officers is wholly or partly met by the committee concerned. It is gratifying to find that with a view to assist the market committees in this respect, the State Government has agreed to bear the entire cost of the Secretary for the first year and 25 per cent of the cost for the next two years.

Want of Funds for acquiring Market Yards and putting up Godowns

A market committee when set up finds it difficult to acquire sites and provide for all kinds of amenities expected of it for want of sufficient funds at its disposal. Similarly, an efficient functioning of a market committee would also necessitate the construction of godowns, office-rooms, sale halls, etc., within the market yard. These would require considerable financial outlay which an infant market committee finds it hard to incur. In order to enable a market committee to tide over the difficulty, the State Government is also extending financial assistance by way of loans at a rate of interest not exceeding $3\frac{1}{2}$ per cent made repayable in

about 20 instalments. Six market committees in this State have availed themselves of the financial help from Government so far to the extent of Rs. 1,48,000/-.

Lack of Control over Village Sales

Past experience of the working of regulated markets has demonstrated that effective control over purchase and sale of agricultural produce by licensed traders in villages beyond the limits of market proper in the market area is difficult to secure in the absence of proper supervisory staff to go round the market area in order to check the sales. In view of the difficulties involved, some of the market committees have stopped issuing licences to traders carrying on business beyond the limits of market proper. The question is one for the local co-operative department to tackle, by increasing the strength of the market staff to the extent required.

Lack of Co-operation from Local Bodies

Another difficulty which a market committee has to face is the want of co-operation from local bodies. Local bodies which stand to gain much after the establishment of a regulated market within their jurisdiction do not generally extend their willing co-operation and assistance to market committees. Matters like provision of water supply, lighting arrangements, drainage, sanitation construction of approach roads and other arrangements are generally neglected to the great inconvenience of the market committee concerned. This difficulty can really be overcome when enlightened public opinion compels these bodies to discharge their duties in the interests of the general tax-payer.

Progress of Regulation of Markets in the Bombay State

There were 91 regulated markets on 31st August 1954 in the State as against 85 of the preceding year. Along with the regulation of new markets and regulation of additional commodities the policy followed by the Marketing Section of the Co-operative Department has been as far as possible to consolidate the position of the existing markets. There are three distinct regional divisions in the State and the progress of regulation of markets is

uneven. The three regions are Gujarat, Karnatak and Maharashtra and the salient features of the working of regulated markets in each of these three regions are indicated in the following paragraph :—

(1) Gujarat Region					Year—1953-54
1.	No. of regulated markets	...	...	...	34
2.	No. of market committees set-up	...	...	...	30
3.	No. of principal market yards	...	...	...	29
4.	No. of sub-market yards	...	...	...	20
5.	Permanent funds	...	...	...	Rs. 8,14,505
6.	Surplus for 53-54	...	...	...	Rs. 2,18,504
7.	No. of committees which incurred deficits	...	...	...	1
8.	No. of market committees which constructed buildings	...	...	...	12

Out of 30 market committees which were functioning 18 market committees have permanent sites for market yards, while 12 market committees had their market yards on a temporary site. Proceedings for the acquisition of land required for principal and sub-market yards on a permanent basis were in progress during the year. 12 market committees are reported to have constructed their buildings on the permanent yards. The Talod and Bodeli market committees are said to have built godowns on their market yards. Only one market committee at Deesa had a small deficit of Rs. 502. All the market committees have provided light and water facilities in the yards, 4 market committee have built cattle sheds, 2 have rest houses and canteens and 2 have provided weigh-bridges in the market yard. The staff employed is reported to be adequate to the needs of all the market committees in the region.

(2) *Karnatak Region* :—The salient features of regulated markets in this region are given in the sub-joined statement.

(2) Karnatak Region					Year 1953-54
1.	No. of regulated markets	...	...	...	17
2.	No. of market committees set-up	...	...	...	16
3.	No. of principal market yards	...	...	...	16
4.	No. of sub-market yards	...	...	...	20
5.	Permanent funds	...	...	...	Rs. 12,72,808
6.	Surplus for the year	...	...	...	Rs. 1,30,191
7.	No. of market committees which incurred deficit	...	...	...	1
8.	No. of market committee which constructed buildings	...	...	...	5

Out of 16 markets set up 7 markets have permanent sites for market yards, while the remaining 9 markets had their market yards on temporary sites. Proceedings for the acquisition of land required for permanent market yards were in progress in the case of 3 markets. 5 market committees having permanent sites are reported to have constructed office buildings in the market yards, 3 market committees have built cattle sheds and sale hall. Amenities such as light and water facilities have been provided by all the market committees. 2 market committees have rest houses and canteens in their markets yards. All the market committees have been reported to have adequate staff. Only 1 market committee at Byadgi in Dharwar district incurred a deficit of Rs. 1,053.

(3) *Maharashtra Region*:—The following statement indicates the salient features of the working of regulated markets in this region.

(3) <i>Maharashtra Region</i>					Year 1953-54
1.	No. of regulated markets	...	...	...	40
2.	No. of market committees set-up	...	...	...	39
3.	No. of principal market yards	...	...	...	39
4.	No. of sale market yards	...	...	...	78
5.	Permanent fund	...	...	...	Rs. 16,08,152
6.	Surplus for the year	...	...	...	Rs. 3,96,225
7.	No. of market committees which incurred deficit	...	...	...	1
8.	No. of market committees which have constructed buildings	...	...	...	3

Out of 39 market committees that are functioning 22 market committees had permanent sites for market yards, while the remaining 17 market committees had their market yards on temporary sites. In the case of 14 markets proceedings for the acquisition of land for the market yards were in progress. Only 3 market committees are reported to have constructed office buildings on their market yards. Only 1 market committee at Amalner incurred a deficit of Rs. 1,426. All the market committees are reported to have been provided with light and water facilities, in the yards, 3 committees have had cattle sheds and 2 had rest houses and canteens. The staff maintained by the committees was reported to be adequate.

(4) The following statement indicates the position in regard to the market committees in the Bombay State as a whole at the end of the year 1953-54.

(4) <i>Bombay State</i>				Year 1953-54
1.	No. of regulated markets	...	...	91
2.	No. of committees set-up	...	...	85
3.	No. of committees which functioned	...	...	85
4.	No. of principal market yards	...	...	58
5.	Permanent Fund	...	...	Rs. 37,67,950
6.	Surplus for the year	...	...	Rs. 6,84,920
7.	No. of committees that incurred deficits	...	...	3
8.	No. of committees that constructed buildings	...	...	20

(5) *Arrivals of commodities in the regulated markets* :—The total yield of cotton crop in the State was estimated by the Department of Agriculture at 10,92,000 bales during the year. Quantities of arrivals of cotton in different regulated markets are shown in the following statement.

(A) Cotton

Region		No. of Market	Arrivals of cotton (ginned) in B. maund	Approximate value in Rs.
1.	Gujarat	17	13,97,190	873,24,425
2.	Maharashtra	24	9,39,153	585,96,975
3.	Karnatak	15	9,28,908	577,48,950
		56	32,65,251	2,036,70,350

(B) Groundnut

Region		No. of markets	Arrivals of groundnut (unshelled) in B. maunds	Approximate value in Rs.
1.	Gujarat	19	28,39,019	425,85,280
2.	Maharashtra	36	32,68,838	490,82,575
3.	Karnatak	16	23,81,825	424,77,375
		71	84,89,682	1,340,95,230

The area under groundnut during the year 1953-54 was 24,80,000 with a total production of 7,26,000 tons. The above statement shows the quantities of arrivals of groundnut in the regulated markets in different regions,

(C) Gur

Sugar-cane is an important commercial crop in Maharashtra and gur is regulated in 28 markets. The area under sugar-cane during 1953-54 was 1,92,000 acres with an estimate of total production of about 5,42,000 tons. Quantities of arrivals of gur are indicated in the following table.

Region	No. of markets	Arrivals of gur in B. Maunds	Approximate value in Rs.
Maharashtra	8	54,86,317	822,94,755

(D) Turmeric

Turmeric among condiments is also one of the important commercial crops in Maharashtra. Quantities of arrivals of turmeric in the 4 regulated markets in Maharashtra are given in the following table :—

Region	No. of markets	Arrivals of turmeric in B. maunds	Approximate value in Rs.
Maharashtra	4	3,10,780	1,24,29,080

(E) Chillies

Quantities of arrivals of chillies in the regulated markets in different regions during 1953-54 are given in the following statement :—

Region	No. of markets	Arrivals of Chillies in B. maunds	Approximate value in Rs.
1. Maharashtra... ..	8	71,076	123,27,250
2. Karnatak	1	95,022	
3. Nil ... ..	...other markets	79,447	
		2,45,545	

(6) The following statement gives the total estimated outturn of important commercial crops regulated under the Bombay Agricultural Regulated Markets Act, 1939 and quantities sold in the regulated markets.

Name of the commodity	Estimated outturn in B. maunds	Total arrivals in the regulated markets in B. maunds	Approximate value of 3 (in lakhs)	Percentage of 3 to 2
(1)	(2)	(3)	(4)	(5)
1. Cotton ...	52,41,600 10,92,000 bales of 391 lbs.	3,260,246	2037.65	61.1
2. Groundnut ...	1,83,08,720 7,26,000 tons	84,39,682	1340.95	46.0
3. Gur ...	1,35,69,240 54,200 tons	54,86,317	822.94	40.0
4. Chillies ...	6,65,800 22,632 tons	2,45,545	123.27	37.0
5. Turmeric ...	5,81,996 23,240 tons	3,10,727	124.29	53.4

Working of Central Advisory Committees of Marketing in the Bombay State

Past experience has shown that the working of regulated markets in different regions in the State is not uniform and that numerous problems had to be tackled in bringing about their uniformity and efficiency so as to achieve effective enforcement of the provisions of the Bombay Agricultural Produce Markets Act, 1939. The important move taken by the regulated markets in Ahmedabad at their conference in 1950 laid the foundation of an unregistered central committee of regulated markets in the Gujarat Region. As a result of the recommendations made at the conference an advisory committee was brought into existence on 12th December, 1950. The main functions of this committee have been to co-ordinate the activities of the regulated markets in the Gujarat region and to give general guidance after studying the problems facing them. It is noteworthy that without legal powers of any sort the committee has been able to effect improvements in the regulated markets in several directions, under the very able guidance of Shri Arjun Lala, the Chairman of the Committee. The committee has also been functioning as a non-official

agency for suggesting important amendments to the Act, Rules and Bye-laws of the market committees which in the light of the practical experience of these markets are deemed necessary by the committee. During the year 1953-54 it conducted a training class for a period of one month ; 47 students attended the class, of these 32 were the employees of market committees in Gujarat and the remaining were outsiders ; 45 students passed the examination held at the end. The committee held 6 meetings during the year and considered problems relating to general working of marketing committees in Gujarat and it also suggested amendments to the Act and Rules. It collected a sum of Rs. 15 as entrance fees and Rs. 515/- as contribution from the affiliated market committees in Gujarat. It was granted a subsidy of Rs. 800/- by the State Government to enable it to meet the expenses in connection with the organisation of a training class and for meeting the cost of printing and stationery.

(b) *Maharashtra Region* :—The Central Advisory Committee of Regulated Markets in Maharashtra was formed in 1953 and the first meeting of the committee was held on 17th July 1953 and the rules framed for its working were adopted. The committee conducted 2 training classes for the employees of the market committees and outsiders for a period of one month. Training was imparted in subjects like Market Legislation in the Bombay State, Bombay Sales Tax Act, Bombay Money Lenders Act, and Bombay Shops and establishments Act. In the first training class 69 students were admitted of whom 38 were employees of market committees and 31 were outsiders. In the second training class 103 students were admitted out of whom 54 were employees of market committees and 49 were outsiders. The market committees donated Rs. 825 towards meeting the expenses of the class and Rs. 310 were collected in the form of fees for the first training class and Rs. 1,385 and Rs. 490 were collected as contributions and fees respectively for the second training class. The Advisory Committee held 3 meetings and considered various problems affecting the working of regulated markets in the region. It also suggested amendments to the Bombay Agricultural Produce Markets Act and the Rules.

(c) *Karnatak Region* :—The Central Advisory Committee of Regulated Markets was formed in the year 1953 and the first

meeting of the representatives of the regulated markets joining the Central Advisory Committee met at Gadag on 27th January 1953. This Committee also organized a training class for the benefit of employees of Market Committees in the region. 100 students attended the class. The Advisory Committee prepared grading rules for the grading of cotton and circulated the same for eliciting opinion among the market committees in the region. It also held meetings to suggest amendments to the provisions of the Bombay Agricultural Produce Market Act, 1939, and made important suggestions regarding the same. With the organization of the Central Advisory Committees for the three regions in the State, it has been possible for them to exchange their experiences, to deliberate on common problems and to introduce as far as possible uniform market practices and coordinate their activities.

2. In June 1955, the Bombay Government constituted a State Central Advisory Committee for regulated markets with the Registrar of Co-operative Societies and Director of Agricultural Marketing and Rural Finance as Chairman and the Chief Marketing Officer as Member-Secretary. Details in regard to its constitution, objects and funds have been referred to in Appendix against Recommendation No. 164.

Appointment of Expert Committee

In order to ascertain to what extent the aims and objects of the Bombay Agricultural Produce Markets Act, 1939, have been realized and in particular to find out what difficulties have been experienced in the administration of the Act and Rules thereunder and whether any changes in the Act and the Rules or the administrative machinery were needed, the Government of Bombay appointed in 1950 a small Committee of Enquiry under Prof. Dantwalla of the Bombay School of Economics and Sociology. This Committee made many useful recommendations which were subsequently implemented by the Co-operative Department. Again, in June, 1955, another seven-man Expert Committee under Dr. T. G. Shirname as Chairman was appointed with the Chief Marketing Officer as Secretary, with the following terms of reference :—

(1) To review the operations of the Bombay Agricultural Produce Markets Act, 1939, and the Bombay Agricultural Produce Markets Rules, 1941.

(2) To suggest modifications and additions to the existing provisions of the Act and Rules, if necessary, with a view to making the provisions of the Act and Rules, more and more effective, comprehensive and simple as far as possible.

(3) To examine whether a separate Act is necessary for commercial and non-commercial crops.

(4) To suggest whether it is necessary to bring the terminal markets within the purview of the Act.

The Committee has submitted its report to the State Government. Some of the important conclusions arrived at by the Committee together with reasons thereof are given at the end of this part. General observations made by the Committee as to why they have made those recommendations are briefly summarized below :—

*Observations of the Committee :—*The Committee has felt satisfied that though the Act has not been able to produce the desired results fully, its achievements in spite of its limitations lack of adequate experience, and organizational difficulties reinforce the faith in its potentialities. The Committee further feels that the recommendations made by it would go a long way in the removal of difficulties in the path of development of regulated markets and creating conditions of orderly trading on a fair and equitable basis, so as to prevent the exploitation of the agriculturist. The main object of the enquiry, as already mentioned, is to suggest measures which could make the Act and the Rules comprehensive, simple and effective. The recommendations of the Committee are divided broadly into four categories which are designed to impart discipline and efficiency at all the stages of agricultural marketing in regulated markets and provide ancillary services. The first set of recommendations seeks to bring within the scope of legislation all types of transactions in respect of regulated commodities in a given market area. It embraces all sales including those in factories and villages of the regulated commodities, regardless of the fact whether they are imported or

locally produced or whether transactions are between traders and agriculturists or between traders and traders or by way of resales but excluding retail sales to the consumer. Though the pattern of regulation remains unchanged, the recommendations aim at rationalizing the same. The Committee has concluded that sales in villages or at factories will have to be tolerated for some time more until the market yards are fully developed but at the same time, it has made recommendations so as to ensure that only the desirable functionaries are allowed to operate in the market and that they behave according to a prescribed code of conduct. It is further recommended that they should be punished adequately if they fail to behave properly. These recommendations, in the opinion of the Committee, would go a long way in minimizing the extent of malpractices associated with agricultural marketing. The second set of recommendations is intended to make the Market Committee fully representative, strong and alert and to assure to it of adequate financial resources as well as initiative. To eliminate its weakness, the Committee has recommended that Government should appoint its own official as Secretary to the market committee after creating a cadre of market specialists. This officer whose prospects of official promotion do not depend upon the whims or caprices of a market committee or its chairman is expected to take the initiative in the matter of supervising the market and bringing offenders to book. There are also other measures suggested by the Committee with a view to strengthening the hands of the market committee itself, in order to enable it to impose the much-needed discipline on the market and to undertake schemes for the development of the market yard. The third set of recommendations is designed to strengthen the supervision, assistance and directions from the Government. The aim of recommendations in this category is to rationalize and strengthen the administrative system both at the headquarters and in the field so that the working of marketing committees is efficiently supervised and a liaison established between the Market Committees and the Director of Agricultural Marketing, who is responsible for the administration of the Act. Recommendations made in this behalf aim at arming the Director of Agricultural Marketing with adequate powers including those that are necessary for imposing bye-laws on the market committees and direct them to take particular action as well as cancel licences of re-

calcitrant traders. A plea for giving him adequate and efficient staff is also made so that he would be able to impart strength to the market committee, wherever it is lacking, and take action in cases where it falls short of the requirements, in spite of support, the object being to encourage fair means and stamp out unfair ways in regulated markets.

These three categories of remedies are meant as a cure for the disease from which some of the markets are suffering. Almost all the markets are facing the problem of getting over the weaknesses in dealing with the traders. If a counterforce is to be created, it is by associative action among the agriculturists themselves who can build up their own strength through such associations. The recommendation in the last category is for efficient service and the adoption of measures for strengthening the marketing co-operatives in the areas in which a regulated market functions. (This is beyond the terms of reference to the Committee).

The Administrative Set-up

The duties of the Director of Agricultural Marketing have been at present entrusted to the Registrar of Co-operative Societies in the State. This officer is ultimately responsible for the administration of the Act besides acting as a liaison between the State Government and the regulated markets and exercising certain powers vested in him. He is the authority for the formulation of proposals, relating to the regulation of the new markets and yards. He is chiefly concerned with policy matters affecting the regulation of markets. The detailed work is done by the Chief Marketing Officer and Joint Registrar, Co-operative Societies who works in two capacities i.e. as Chief Marketing Officer in charge of the administration of the Act and as Adviser to Government on agricultural marketing. He is also in charge of the Provincial Marketing Schemes of the Central Government. He also looks to the work relating to grading, market intelligence, and general policy regarding marketing co-operatives and other subsidiary activities. The office of the Chief Marketing Officer is divided into 3 Sections viz. (1) Market Survey, (2) Development and (3) Grading.

The Survey Section is staffed with 2 Marketing Inspectors one dealing with market intelligence and another assisting the Research Officer in regard to survey work. The Development Section is composed of 4 Assistant Marketing Officers and 20 Marketing Inspectors scattered all over the State. The Assistant Marketing Officers act in their advisory and supervisory capacities at the regional levels. Proposals and correspondence relating to the working of market committees emanating from the Marketing Inspectors, pass through the Assistant Marketing Officers before they reach the Chief Marketing Officer. The Marketing Inspector does preliminary work relating to the regulation of markets and serves as a Government nominee on a regulated market. He provides a link between the market committee on the one hand and the Collector and the Chief Marketing Officer on the other. The Grading Section works under one grading officer assisted by three Grading Assistants. The division of powers for administering the Act between the Collector and the Director of Agricultural Marketing, to which reference is made under recommendation No. 141 in the appendix shows that the functions of the Director of Agricultural Marketing are purely advisory and it is the Collector who is concerned with the day to day working of market committees and the effective enforcement of the provisions of the Act including the determination of the suitability of the sites of the market yards, acquisition of sites and matters relating to elections of market committees. In this set-up the Chief Marketing Officer and his staff play the role of an expert adviser.

The Expert Committee observes in this connection "We feel that in the field of administration of this Act, a situation has been created, whereunder the important powers are exercised by one officer whereas the responsibility of the administration of the Act has been thrown on the other. This is unfair to both the officers". One of the reasons for the failure of the Act to achieve the maximum results is attributable to the administrative system working on the basis of dyarchy. In addition to the duties mentioned above the Chief Marketing officer is required to approve of the budgets of market committees under Rule 44 and of the appointment of staff except the Secretary and Accountant whose pay exceeds Rs. 99/- p.m. He has to convey his approval to amend-

ments of bye-laws of market committees and can call meetings of the market committees in special circumstances. He is also responsible for providing guidance technical and non-technical to market committees. In his capacity as a Chief Marketing Officer he also serves on a number of committees. As regards the Marketing Inspector who is the key person, the Expert Committee found that his charge was very heavy as he had to look to the working not only of regulated markets but also marketing co-operatives as well. 19 Marketing Inspectors in the districts were in charge of 101 market committees and 330 marketing co-operatives of which 185 were actively operating in the market yards. Similar was the position of Assistant Marketing Officers as well. In addition to the work of supervision they are a liaison between the Chief Marketing officer and market committees and Inspectors and supply information and render assistance in the field of Survey work. The number of meetings of market committee attended by each of them in 1954 ranged between 33 and 62 .

The Market Research Officer provides the basic data regarding the markets in the State, surveys the potential markets, and meets the requirements of the Central Government as well in these spheres. He is assisted by 2 Marketing Inspectors and a graduate assistant.

The Expert Committee felt dissatisfied with the existing set-up and have therefore made certain recommendations in regard to the future set-up. (Vide appendix for recommendations in his behalf).

The functions of the Marketing Section of the Co-operative Department are :—

- (1) To administer the Bombay Agricultural Produce Markets Act of 1939 under the general control and supervision of the Director of Marketing.
- (2) To undertake the surveys of agricultural commodities.
- (3) To undertake the grading of agricultural commodities.
- (4) To tackle problems relating to transport.
- (5) To assist in the development of co-operative marketing societies in the State.

- (6) To undertake the work of collecting prices and to keep the regulated markets, co-operative purchase and sale organisations apprised of the same.
- (7) To undertake the dissemination of market information, and to supply the same to other Government Departments.

The duties of the Chief Marketing Officer are set forth below :—

- (1) He is to act as a liaison officer between the co-operative marketing organisations, traders and consumers on the one hand and collectors in the districts and the Director of Rural Marketing on the other, in so far as they relate to the provisions of the Agricultural Produce Markets Act, 1939 and rules thereunder.
- (2) To assist the Registrar of Co-operative Societies and Director of Rural Marketing in regard to the development of co-operative marketing in the State in his capacity as a technical expert.
- (3) To function as a nominee of the Marketing Adviser to the Government of India in matters of administration relating to standardising and grading and agmarking of agricultural products.
- (4) To review the applications of approved packers and recommend approved market agents under the grading schemes.
- (5) To verify test, and check periodical samples of commodities graded.
- (6) To function as the prescribed authority under the provisions of the Bombay Warehouses Act, 1947.
- (7) (a) To collect price statistics of important agricultural commodities and to submit the same to the Director of Agriculture and to the Government of India.
(b) To submit periodical returns of important agricultural commodities like gur, groundnut, cotton in the Markets in producing and consuming centres.
- (8) To help the transporting agencies like the Railways particularly in regard to fair distribution of wagons for transport of fruit and vegetables from the State.

- (9) To assist the Director of Rural Marketing in the administration of the Act and the rules thereunder with particular reference to the approval of the budgets submitted by the market committees and interpretation of the bye-laws and rules framed under the Act.
- (10) To control and co-ordinate the work of market surveys carried out by the Assistant Marketing Officers and the Market Research Officer, Bombay.
- (11) To do all preliminary work in regard to the establishment of a regulated market in the State. This work would as already mentioned generally include items like the following :—
 - (a) survey of commodities to be regulated, (b) selection of a proper site for the market yard, (c) ascertaining the mal-practices in the existing markets, (d) ascertainment of annual sales of agricultural produce at the assembling market within the area to be declared as the market area, (e) ascertainment of the proximity of assembling market to its connection with main railway and road links with the terminal market, (f) ascertainment of availability of facilities for providing adequate storage for agricultural produce, shelter for men and cattle, water and proper sanitation, (g) ascertainment of probable income and expenditure if a market committee were to be established, (h) making of an estimate of benefits to the producers arising out of the rationalisation of market practices.
- (12) To see that the regulated markets carry on their business in accordance with the provision of the Act, the rules and the bye-laws.
- (13) To act as Secretary to the Provincial Fruit & Market Committee which is established in Bombay in order to apprise the Government of the difficulties which the growers of fruit and vegetables in the state experience in regard to the transport of their produce.

The Chief Marketing Officer is also an ex-officio director of the Bombay Provincial Co-operative Marketing Society and is

therefore associated with the day-to-day management of its affairs.

(8) *General Observations*:—The previous paragraphs giving details in regard to the working of regulated markets indicate that so far, satisfactory progress has been achieved in the matter of regulation of markets in the State. The reader will have noticed also that there is a net-work of markets for regulating trade in commercial crops like cotton, groundnut, gur, and chillies; produce worth about 50 crores of rupees was sold through the regulated markets during the year 1953-54 which works out to about less than 33 per cent of the marketable surplus of these commodities. There are 171 major and 106 minor assembling markets in the State. By the end of the Second Five-Year plan period, it is proposed to bring all major and minor markets under the regulatory orbit as mentioned elsewhere. The trade of all important commodities would also be brought under regulation throughout the State. It may be noted that regulation of markets alone does not bring about the desired results unless it is buttressed simultaneously by the introduction of other economic devices such as warehousing, grading, transportation, co-operative marketing supply of market information, etc. A comprehensive plan embracing all the principal and ancillary marketing activities through the integrated approach alone would help the producers in securing fair return for their produce. Such a comprehensive plan for the development of agricultural marketing in the State has been drawn up to which reference has already been made elsewhere. It may be noted that the Bombay Agricultural Produce Markets Act is a piece of socio-economic legislation and unless the users of the market are educated, market functionaries are taken into confidence and harmony prevails between buyers and sellers whose interests clash with each others it is rather difficult to enforce the provisions of the Act and rules effectively.

(9) *Working of Individual Regulated Markets in the Bombay State*:—It is now proposed to discuss the working of a few of typical regulated markets in each of the linguistic regions of the State.

The Agricultural Produce Market Committee, Ahmedabad :—

(1) *Early History* :—Ahmedabad is an important consuming centre next to Bombay. Vegetables arrive in large quantities in this market not only from Ahmedabad District but also from outside. Mal-practices of various types were prevalent in the vegetable trade before regulation, as a result of which both producers and consumers were put to loss. With a view to eliminating the mal-practices in the trade in vegetables it was thought necessary to establish a regulated market at Ahmedabad. The Bombay Agricultural Produce Markets Act was made applicable to this market in 1948 in rather trying circumstances. There was great opposition to the setting up of a regulated market from the traders in Rajnagar Market who brought an injunction from the Civil Court for not holding the first general meeting of the market committee but they did not succeed. As the Rajnagar Vegetable Market owners also refused to give their premises unconditionally the Ahmedabad Municipality gave municipal market known as Maneck Chowk which was declared as a market yard ; in the meanwhile the traders of Rajnagar market instigated the owners of the Maneck Chowk Market not to hand over the possession to the market committee but on account of the whole-hearted co-operation of the municipality and of the selfless efforts of the chairman of the committee—Shri Arjun Lala, the committee could overcome all opposition and it ultimately succeeded in getting possession of the Maneck Chowk Market where the work was commenced from 12th July, 1948. The owners of the Rajnagar Market realised, though belatedly, that their trade would be gone for ever and approached the chairman of the committee and the Minister in charge of Co-operation with a request to declare their market as a market yard and in compliance with that request the Rajnagar Bhagaubhai Vanda was declared as an additional market yard from 28th July 1948. Till the latter date trading had been completely stopped at Rajnagar Market ; then the trade that had commenced at Maneck Chowk Market was shifted to Rajnagar Bhagaubhai Vanda market yard. Though the initial difficulties were thus overcome the committee had to face severe opposition at every stage of its work from the traders at the Rajnagar Market. Breach of the provisions of the Act and of the rules and bye-laws and putting obstacles in the working of

of the committee by the traders had become the normal features of the working of the committee and matters came to ahead when the traders refused to apply for licences in 1949-50. In the light of the circumstances then prevalent at Rajnagar the State Government on request by the market committee had to denotify the Rajnagar Vegetable market yard from 1-9-1949 with the result that trading was stopped for 4 months. Realising their mistake the traders once again surrendered unconditionally and the Rajnagar Market Yard was again notified with effect from 29-12-1949. Since the regulation of vegetables is a novel experiment and since it was apprehended by the traders that the various mal-practices indulged in by them would be put an end to, it was not surprising that this measure of reform was stoutly opposed by the vested interests. It is indeed gratifying to note that the committee rose equal to the occasion and could meet all opposition with patience and courage under the tactful guidance of the chairman. The active assistance of the authorities of the local municipality went a great way in solving the question of fixation of a suitable market yard though with difficulty.

(2) *Market Area* :—An area within a radius of 12 miles from Ahmedabad has been declared as a market area and the market proper is co-extensive with that of the market area.

(3) *Market Yard* :—The Rajnagar Bhagaubhai Vanda Market yard has been declared as a market yard where the vegetable trade is going on. The Maneck Chowk which was formerly declared as a market yard is at present defunct.

(4) *Commodities Regulated* :—Almost all kinds of vegetables have been brought under the purview of the Agricultural Produce Markets Act, 1939. The Act is also applied to fruits with effect from 15-9-1950 but due to want of space it was not possible to execute the same. The committee contemplates obtaining a piece of land admeasuring 36,000 yards which is known as Astodia Gate under the control of Ahmedabad Municipality.

(5) *Constitution of the Market Committee* :—The committee consists of 15 members out of whom 6 are representatives of agriculturists, 5 are representatives of traders and 1 is returned from the local authorities constituency and 3 are nominated members. Shri Arjun Lala continues to be the chairman of the committee from its very inception.

(6) *Method of sale in the market prior and subsequent to regulation* :—Before the market was regulated at Ahmedabad Rajnagar Market was the principal wholesale market for vegetable trade for several years in the past. The market had been monopolised by a few traders and not a single outsider was permitted to have any space in the yard nor was the growers' association permitted to get an inch of space. In the Rajnagar Market there were stalls of general commission agents where the sellers had to assemble their produce for sale and no direct dealings with the purchasers were permitted. The produce was sold under the Hatha system and the rates at which it was sold remained unknown to the sellers. After the sale was effected in this way, the produce was weighed by a hand-scale at the rate of 10 seers at a time by the paid servants of the general commission agents. Weights were also manipulated. A part of the produce was sold without fixing the price at the time of sale and the growers had to rely on the commission agents for payment of proper price which was also fixed in the evening. The system of making payments of sale proceeds was also defective. The grower was generally indebted to the commission agent and he had to rely on the sort of accounts kept by the commission agent. The commission charged was 1 anna per rupee from the seller which was in itself heavy ; moreover, Kadata system was also prevalent. After the application of the Act to the vegetable trade the system of sale is completely overhauled. In the initial stages growers were permitted to take the produce to the staff of the individual commission agent and it was not possible under the system to supervise the sales. The system was soon discontinued and a special ring was constructed by the market committee where each commission agent was allotted a stall for sale where transactions are effected in the presence of and under the supervision of the Inspectors appointed by the committee. Vegetables arrive in the market throughout the day and on arrival the gate clerk records the name of the seller, the kind of vegetables, approximate weight, the name of the place from which vegetables arrive and the name of the commission agent and then issues a pass. The sellers then take the produce to the space allotted in the ring to the general commission agent. Business commences at 7 a.m. in the morning after the bell is rung and continues up to 2 p.m. in the afternoon. No sales are permitted

thereafter. The method of sale adopted is a mixture of Hatha and Open Auction. First Hatha is taken and the highest bid declared in the presence of all and then open auction is done till the highest bid is reached. As soon as the sale is over a Kabala (agreement) is passed and the produce is weighed by the licenced tolas and hamals. As soon as the weighment is over the seller is paid the value of the produce by the general commission agent who maintains correct accounts in the sale register. All the mal-practices in the trade have now been discontinued and strict watch is kept by the market committee.

(7) *Farmers' Section*:—It may be noted that sale through a commission agent is not obligatory. Producers who sell their produce without intervention of general commission agents can do so directly by paying no charges except the market cess. This has resulted in a great monetary gain to the farmers who save a substantial sum which was formerly paid to the commission agents as commission charges. This amount is estimated to be Rs. 25,000 during 1953-54.

(8) *Market Functionaries prior to and after Regulation*:—

<i>Prior to Regulation</i>						No. of Licensees
1.	General Commission Agents	...	...	...	...	14
2.	A Class Traders	...	...	...	...	46
3.	B Class Shop-keepers	...	...	...	...	250
4.	B Class Lorry Holders	...	...	...	...	250
5.	Toplawallas	...	...	...	...	1,000
6.	Hamals	...	...	...	...	14
7.	Tolats	...	...	...	...	14
8.	Marfatia	...	...	...	...	2
9.	A Class Carting Agents	...	...	...	...	2
<i>After Regulation</i>						
					No. of Licensee	Rate of Licensee fees
1.	General Commission Agents	...	...		35	Rs. 125/-
2.	A Class Traders	...	...		185	Rs. 75/-
3.	A Class Exporters	...	...		3	Rs. 75/-
4.	B Class Shop-keepers	...	...		304	Rs. 12/-
5.	B Class Lorry Holders	...	...		337	Rs. 6/-
6.	Toplawallas	...	...		1,361	Rs. 3/-
7.	Hamals	...	...		29	Rs. 5/-
8.	Tolats	...	...		45	Rs. 5/-
9.	Recorders	...	...		29	Rs. 5/-
10.	Marfatia	...	...		2	Rs. 25/-
11.	A Class Carting Agents	...	...		2	Rs. 100/-

(9) *Market Charges*.—The following statement indicates the comparative position in regard to market charges levied before and after regulation.

<i>Before Regulation</i> (for Bombay maund)				<i>After Regulation</i> (for Bombay maund)			
Rs.	a.	p.		Rs.	a.	p.	
0	8	0	Commission	0	6	0	Commission
0	0	6	Hamali	0	0	3	Market Cess
0	0	3	Dharmadai	0	0	3	Weighing
				0	0	3	Recording
0	8	9		0	0	6	Unloading
				0	7	6	

It will be seen from the statement given above that the growers save about 0-12-0 per cent if the average rate for Bombay maund of vegetables were taken to be Rs. 8/-.

(10) *Arrivals and Exports of Vegetables*.—Quantities of arrivals of vegetables were 10 lakhs Bombay maunds prior to regulation while after regulation the quantities arriving in the market rose to 16 lakhs maunds as the following statement for the last 6 years shows.

Market Year						Arrivals in Bombay maunds
1948-49	...	...	...	...	...	10,45,264
1949-50	...	...	...	...	...	13,03,104
1950-51	...	...	...	...	...	13,53,536
1951-52	...	...	...	...	...	14,07,849
1952-53	...	...	...	...	...	15,88,999
1953-54	...	...	...	...	...	16,36,976

Exports of vegetables also went up from 44,000 Bombay maunds to 2,00,000 Bombay Maunds.

(11) *Marketing Co-operatives working in the area of the market*.—From the very inception of the regulated market 2 marketing co-operatives viz., (1) The Ahmedabad Vegetable and Fruit Growers' Association Ltd. (Khedut Sabha) and (2) The Potato Growers' Co-operative Association have also been operating in the market yard. During the year 1952-53 a third market ing co-operative viz., the Sardar Bagayit Sahakari Society was

also granted a licence. The turnover of business of each of these societies is given in the following statement :—

Year		Khedut Sabha (in B'bay mds.)	Potato Growers' Co-operative Association (in B'bay mds.)	Sardar Bagayit Sahakari Society Ltd., Bardoli (in B'bay mds.)
1948-49	...	56,680	78,634	—
1949-50	...	72,018	1,02,572	—
1950-51	...	81,717	87,064	—
1951-52	...	87,745	78,824	
1952-53	...	88,544	1,03,211	1,586
1953-54	...	1,11,662	1,17,540	10,148

(12) *Market News Service* :—The daily current rates of vegetables are displayed on a black board at three different places in the city. Producers as well as consumers are thus kept informed of the ruling rates from day-to-day. A statistical section has also been maintained by the market committee for the purpose of preparing charts and graphs showing the progress achieved for ready reference.

(13) *Provision of Amenities in the Market Yard* :—A special ring at a cost of Rs. 19,075 was constructed by the market committee where the produce is now assembled in the stalls of general commission agents for sale. From September, 1953 additional space formerly occupied by the Food Controller, Transport Department has been made available for the sale of potatoes, onions and dry garlic so that greater space is now provided in the ring for the sale of vegetables. As the committee could get spacious rooms on the upstairs in the Vanda Market, its offices have also been accommodated. In order to remove hardships and inconveniences to the users of the market yard on account of the Katcha road leading to it the committee has constructed an asphalt road at a cost of Rs. 13,600/-. Other amenities such as water facilities, storage facilities, electricity and sanitation are also provided.

(14) *Litigation* :—Persistent efforts were made in the past by Rajnagar Vegetable Market operators to involve the committee in litigation on one pretext or the other but luckily all these attempts have proved abortive so far. The following statement

shows the income and expenditure position of the committee as well as the amount of permanent fund for a period of five years ending 1953-54.

Particulars of Items.	1949-50 Rs.	1950-51 Rs.	1951-52 Rs.	1952-53 Rs.	1953-54 Rs.
(A) Income					
1. License Fees	25,472	24,602	28,585	27,782	25,698
2. Market Cess	20,361	21,149	21,998	24,828	25,578
3. Stall fee and Miscellaneous Income	17,828	18,506	17,889	22,302	23,657
Total Income	63,656	64,257	68,472	74,912	74,928
(B) Expenditure					
1. Salaries	30,486	30,151	31,366	31,823	33,697
2. Stationery & Printing	3,779	2,644	4,556	3,912	3,253
3. Sundry Expenses	6,217	6,628	9,232	8,170	9,083
Total Expenditure	40,482	39,423	45,154	43,905	46,033
(C) Permanent Fund	48,664	73,498	96,816	1,27,823	1,56,718
(D) Average Rate per Bombay maund	—	Rs. 10-0-0	Rs. 11-7-0	Rs. 9-15-0	Rs. 8-8-0
(E) No. of Licence Holders	1,944	2,074	3,097	2,861	2,390

(15) *Benefits of Regulation*.—(1) To Growers of Vegetables :—On account of the regulation of the market for vegetables producers have been benefited in a number of ways, viz. :

- The actual price fixed in the open sale is realised by growers or farmers.
- Only the market charges prescribed are paid by the growers other trade allowances being entirely prohibited.
- Correct weighment of and prompt payment for the value of produce are ensured.
- Settlement of disputes arising in the course of transactions is done promptly.

- (e) The opening of khedut section whereby growers are enabled to sell their produce directly and without the intervention of adatyas has resulted in a substantial monetary gain to the producers.
- (f) Monetary gains on account of rationalisation of market practices and reduction of market charges were estimated during the year 1953-54 to be about 14 lakhs of rupees.

(2) To Traders:—Traders have also been benefited on account of regulation of trade in vegetables in the market. Formerly only 14 traders operated in the market and trading in vegetables was a monopoly for them and the number of traders has been considerably on the increase after regulation. Owing to the efforts of the market committee it has been possible to secure more transport facilities from the railways in favour of the traders. Because of regulation which has ensured a larger field and competition more sources of supply have been made available to traders.

(16) *General Observations*:—Past experience of the working of a regulated market has shown that if the work of regulation of a market were to be smooth and successful the following conditions must be fulfilled.

- (1) the existence of a strong and healthy co-operative movement within the area of the market is essential. It is common knowledge that the traders are afraid of the marketing legislation lest they should lose their trade and are generally inclined to withhold their co-operation in the early stages and try to put all sorts of obstacles so as to affect the smooth working of the regulated market. If there are well established marketing co-operatives in the area the market committee can go ahead with the work of regulation in a better spirit of confidence and producers are enabled to assert their rights through their co-operative association as against traders. Thus the danger of an effective strike on the part of traders in the early stages is averted.
- (2) it is necessary to provide for several facilities in the market yard to producers as well as traders and for this purpose it is necessary that the market committee should have spa-

cious plots of land to cope with the expansion of their business. Amenities such as water facilities, lighting, sanitation, pukka roads, cattle sheds, parking of animals, carts and trucks, lodging and boarding facilities, rest houses and canteen facilities, storage facilities and cold storage equipment, banking and postal facilities and veterinary aid and display of improved types of seeds are required to be provided and until they are made available the users do not feel satisfied with the other benefits arising on account of the application of the Act.

(3) for the implementation of the several provisions of the Act, Rules and Bye-laws trained personnel is an essential requirement. Training courses at periodical intervals will, therefore, have to be provided to the employees of market committees in order to enable them to discharge their duties satisfactorily.

(4) it is desirable from the very inception of a market committee that it is associated with workers of repute in the social field who enjoy the confidence of the producers and they should have representation on the market committee, if regulated market is to work smoothly and without a hitch. The guidance from such reputed workers in the initial stages of a market committee would be of inestimable value. For the smooth working of a regulated market traders as well as producers must learn to appreciate each others' point of view in a democratic spirit. If and when any differences arise as to any matter, if they follow the policy of give and take while implementing the Act, the success of a regulated market would be assured, but this takes time as the age old customs and practices do not disappear quickly.

(1) Working of the Regulated Market, Sangli :—The market at Sangli was established on 30th August, 1950. Sangli occupies a prominent place in Maharashtra as a big assembling market; on account of regulation of turmeric large quantities come for sale from places like Madras and Mysore. The other important commodities regulated in this market are groundnut, gur and chillies. The market committee actually started functioning from 10th July, 1955.

(2) Principal market yard and sub-yard :—The present market yard used by the market committee for carrying on its operations is known as wakhar bhag and has been declared as a temporary principal market yard, which has been found to be inadequate for the purposes of the committee on account of a considerable increase in the volume of business. The committee has, therefore, selected a more suitable site on the Sangli-Miraj Road and the State Government has acquired for it land ad-measuring 99 acres and 30 gunthas for establishing the new market yard. The acquisition proceedings were completed recently and the award has also been passed. The lay out of the new market yard was prepared by the local engineer and it has been approved by the Deputy Consulting Surveyor to Government, Kolhapur. The total number of plots marked out in the market is 364, each plot measuring 100 × 50 feet, and the price of each plot is fixed at Rs. 1,351/-. The plots also can be had on hire at an annual rental of Rs. 80/-. 303 plots have been so far allotted to traders and general commission agents of which 291 are given on rental basis and 12 plots have been sold. Provision has also been made for spacious roads, water arrangements, godowns, fencing, cart stands, offices of banks, telegraph office, a canteen and shetkari niwas. The fencing of the yard has been completed. The construction of a water tank having a capacity of 30,000 gallons has also been completed by the committee at its own expense ; some space has also been reserved for staff quarters. 500 trees of different varieties on the different roads sides have also been planted. The Sangli Municipality has extended its co-operation in providing facilities for water and electric supply on the market yard by laying one water pipe and electricity wires. There are two sub-yards, one at Miraj and another at Madhavnagar. The latter has been proposed for denotification with effect from 1st September, 1955.

(3) Constitution of the Market Committee :—The members of the present market committee were nominated by the Government for a period of two years. Its first meeting was held on 17th January, 1951. Elections to the committee had to be postponed on account of some technical difficulties regarding the declaration of principal and sub-market yards under Section 4(a) of

the Agricultural Produce Markets Act, 1939. Elections to the committee have been held during the current year 1954.

(4) Commodities regulated :—Commodities regulated in this market are groundnut, (both shelled and unshelled), turmeric, gur, chillies, cotton, (ginned and unginned), gram, tur, safflower, coriander, mug, udid, castor seed, jawar, bajri, wheat and maize.

(5) Method of sale :—sales are generally effected by auction. The usual practice is that the producer brings his cart to the shops of the general commission agent who accepts the goods. Some of them pass receipts for goods so received. Generally auction sales are held in the case of five commodities viz.—(1) groundnut, (2) gur, (3) grains, (4) chillies, (5) turmeric. Thus five groups of traders go on purchasing in the market yard practically simultaneously. The committee has to make arrangements for five 'Souda Clerks'. The auctions are held in the place notified on the notice board in the morning, and are taken in turns in shops. When the time fixed for auctions expires, auctions are stopped until the next day. Auctions commence the next day from the shop next to the one where work was completed the previous day. When the traders go to the shops of general commission agents the bags containing the commodities are opened for inspection. After inspection of the quality, bids are offered and the commission agent after declaring the higher rates of bidders 3 times sell the produce to the highest bidder and then an agreement is made. The agreement or Kabulayat contains the following particulars :—

(1) name of the producer, (2) name of the purchaser, (3) name of the commodity and quantity of produce and the final rate fixed at the time of auction. The Kabulayat is then signed by the purchaser and the Souda Clerk. As soon as it is signed one copy of it is given to the purchaser by the general commission agent and another is handed over to the market committee. On receipt of the copy of Kabulayat the buyer gets the produce weighed by the licensed weighmen who prepare a weighment slip after the weighment is completed. The weighment slip contains the following particulars :—(1) the name of the general commission agent, (2) the name of the purchaser, (3) the name of the producer, (4) the

name of the commodity and its quality, (5) rate at which it is sold as mentioned in the agreement, (6) the actual weight of the commodity and reference to the number of agreement. After completing the weighment slip in this way the weighman gives one copy of the slip to the purchaser, another to the seller and the third to the managing committee. The slips are signed by the general commission agent and the weighmen. On receipt of the weighment slip the general commission agent also prepares an account slip called 'Hishob Patti' in which the above details are mentioned and the total amount for which the produce is sold. He makes deductions on account of his (1) commission charges, (2) Hamali, (3) weighment charges and market cess. The payment of sale proceeds is made promptly on the day on which it is sold, and it is generally sold on the very day of its arrival or after a day or two. Some time this period goes upto a week during the full season.

(6) Market charges before and after regulation :—Charges for Rs. 100/- worth of produce prior to and after regulation are as follows :—

Charges payable by the seller	<i>Groundnut</i> 14 bags Before — After Regulation.		<i>Gur</i> 20 to 24 lumps Before — After Regulation.	
1. Handling ... upto point of weighment-Hamali per bag	0-0-6	0-1-0	0-0-6	0-0-6
2. Weighmen allowance—Dhalta or Karda	1-10-6	0-0-3	0-1-3	0-0-3
3. Commission ...	4-6-0	1-9-0	3-2-0	1-9-0
4. Brokerage ...	—	—	—	—
5. Dharmadaya per bag	0-0-1½	—	0-0-1	—
6. Panjarpol per bag	0-0-3	—	0-0-2	—
	<u>6-1-4½</u>	<u>1-10-3</u>	<u>3-4-0</u>	<u>1-9-9</u>

	<i>Jawar</i> 6-7 bags <i>Before — After</i> <i>Regulation.</i>		<i>Barjri</i> 6-7 bags. <i>Before — After</i> <i>Regulation.</i>	
Charges payable by the seller.				
1. Handling upto point of weighing—Hamali ...	0-2-6	0-1-6	0-2-6	0-1-6
2. Weighman allowance—Dhalta or Karda ...	0-4-0	0-0-3	0-4-0	0-0-3
3. Commission ...	1-9-0	1-9-0	1-9-0	1-9-0
4. Brokerage ...	0-0-3	—	0-0-3	—
5. Dharmadaya ...	0-0-6	—	0-0-6	—
6. Panjarpol ...	—	—	—	—
	<hr/> 2-0-3	<hr/> 1-10-9	<hr/> 2-0-3	<hr/> 1-10-9

	<i>Gram</i> 6-7 bags <i>Before -- After</i> <i>Regulation</i>		<i>Tur.</i> 6-7 bags <i>Before — After</i> <i>Regulation.</i>	
Charges payable by the seller.				
1. Handling upto point of weighment—Hamali.	0-2-6	0-1-6	0-2-6	0-1-6
2. Weighman Allowance— Dhalta of Kerda	0-5-0	0-0-3	0-4-6	0-0-3
3. Commission	1-9-0	1-9-0	1-9-0	1-9-0
4. Brokerage	—	—	—	—
5. Dharmadaya	0-0-3	—	0-0-3	—
6. Panjarpol.	0-0-6	—	0-0-6	—
	<u>2-1-3</u>	<u>1-10-9</u>	<u>2-0-9</u>	<u>1-10-9</u>

(7) Arrivals in the Market :—The following statement indicates the quantities of arrivals in the market for a period of 4 years ending 1955, and their value.

Name of Commodities.	(In Bombay Maunds)			
	1½ months 1951-52		1952-53	1953-54
	from			
	16-7-1951			
	to			
	31-8-1951			
1. Groundnut (unshelled)	2,951	47,87,733	240 607	3,97,288
2. Groundnut (Shelled)(Kernals)	32	2,608	300	469
3. Turmeric	2,164	1,23,839	1,00,679	92,374
4. Gur	5,459	5,16,082	2,95,528	2,89,296
5. Chillies	545	30,344	28,214	25,390
(Value in Rs.—in lakhs)				
1. Groundnut (unshelled)	0.59	101.74	61.65	71.76
2. Groundnut (Shelled)	0.09	1.47	0.21	9.12
3. Turmeric	0.27	44.88	56.63	29.79
4. Gur	0.98	49.38	42.30	63.64
5. Chillies	0.31	14.11	13.96	21.83

					Arrivals in Bombay Maunds 1955	Value in Rs. lakhs. Value
1.	Groundnut (unshelled)	...	...	...	3,87,056	55.68
2.	Groundnut (Shelled)	...	...	...	677	25.27
3.	Turmeric	...	...	...	96,115	162.19
4.	Gur	...	...	...	4,98,971	51.39
5.	Chillies	...	...	...	28,494	14.62
					1955 from 28-10-54 to 31-8-55.	Value in thousand Rs.
1.	Tur	...	...	...	1,799	38.2
2.	Gram	...	...	...	9,618	234.4
3.	Safflower	...	...	...	3,812	85.7
4.	Coriander	...	...	...	5,433	112.7
5.	Mug	...	...	...	218	5.7
6.	Matki	...	...	...	138	2.8
7.	Udid	...	...	...	307	7.2
8.	Castor Seed	...	...	...	1,297	26.8
9.	Jawar (26-11-54) onwards	...	...	...	31,807	636.1
10.	Bajri	...	...	...	1,045	22.2
11.	Wheat	...	...	...	6,573	254.7
12.	Maize	...	...	...	522	7.5

(8) Marketing Co-operatives operating in the area of the Market :—There are only two co-operative purchase and sale societies operating in the area of Sangli Market viz. (1) Shri Ganpati Co-operative Purchase & Sale Society Ltd., (2) The Varna Valley Co-operative Purchase & Sale Union. The following statements show the volume of business done by them and the percentage of turnover to total arrivals in the market for the years 1952-53 and 1953-54.

1952-53

Arrivals in bags

Name of commodity	Shri Ganpati Co-operative Purchase and Sale Society	Percentage to total arrivals	The Varna Valley Co-operative Purchase and Sale Union	Percentage to total arrivals
1. Groundnut (unshelled)	8,998	3.7	7,433	3.0
2. Groundnut (shelled)	—	—	75	25.0
3. Gur	7,396 lumps	2.5	19,557	6.4
4. Turmeric	12,630	12.5	2,467	2.4
5. Chillies	418	1.5	179	0.6

Name of commodity	Shri Ganpati Co-operative Purchase and Sale Society	Percentage to total arrivals	The Varna Valley Co-operative Purchase and Sale Union	Percentage to total arrivals
1953-54				
1. Groundnut (unshelled)	11,504	2.04	5,028	1.55
2. Groundnut (shelled) ...	—	—	98	19.0
3. Gur	10,384 lumps	3.59	19,609	7.0
4. Chillies	1,056	4.17	110	1.5
5. Turmeric	4,408	5.78	2,140	2.88

(9) Price Intelligence Service :—The market committee gets daily rates of important commodities in the adjacent markets and publishes the same on the notice board and the prices so notified are also sent to different markets. So far no arrangements have been made for storage of agricultural produce in the market yard, but some space has been reserved for constructing godowns.

(10) Borrowing from Government :—In order to meet the cost of the land comprised in the market yard the market committee has borrowed a sum of Rs. 1,50,000 from the State Government repayable in 15 annual instalments. The loan bears 4½ per cent interest.

(11) The Income and Expenditure Position and Permanent Fund :—The income and expenditure position of the market committee during 53-54 is given below :—

(A) Income—						Rs.	a.	p.
1.	Market Cess	...	...	...	...	15,371	0	0
2.	License Fees	...	...	...	...	60,725	0	0
3.	Miscellaneous Items	...	...	...	...	4,818	0	0
Total Income						80,900	0	0
(B) Expenditure—						Rs.	a.	p.
1.	Cost of Establishment	...	...	...	...	24,502	0	0
2.	Other expenditure	...	...	...	...	15,002	0	0
Total Expenditure						40,404	0	0
Surplus						40,505	0	0
(C) Permanent Fund as on 31-8-1954						3,13,150	0	0

(12) Market Functionaries :—The following functionaries are operating in the Sangli Market and the scale of licence fees prescribed in the case of various functionaries is given below together with the number of functionaries operating.

Class of Functionaries			Number	Amount of Licence fees prescribed, per year Rs.
1.	General Commission agents	...	47	100/-
2.	A Class Traders and ...	...	62	150/-
	General Commission Agents and A Class Traders	...	167	200/-
3.	B Class Traders	...	64	40/-
4.	Retail Traders	...	792	10/-
5.	Assistant to Traders and General Commission Agents	...	488	5/-
6.	Weighmen—Class A ...	...	38	10/-
	Class B	...		5/-
7.	Hamals	...	318	1/-

Grain Division

1.	A Class Traders and General Commission Agents	...	See above	80/-
2.	A Class Traders	...	do.	50/-
3.	General Commission Agents	...	do.	50/-
4.	Assistants to Traders	...	do.	12/-

(13) Litigation :—When the Bombay Agricultural Produce Market Act, 1939 was first made applicable to Miraj Taluka, traders did not take it kindly and tried their level best to put obstacles in the smooth working of the market by demanding unauthorized trade allowances and increases in the rates of commission, hamali, etc. They even threatened to boycott the market but owing to tactful handling of the situation by the market committee matters did not come to a head. When the market yard was shifted from Wakhar Bhag to the market yard on the Sangli-Miraj Road on 24-3-1955 two merchants filed a suit in the Bombay High Court and brought a temporary injunction restraining the market committee from enforcing the application of the Act, rules and bye-laws until the matter was decided by the High Court. This application was submitted to the High Court by merchants who had vested interests in the Wakhar Bhag area as they had their own offices for doing business there. The application was dismissed after hearing and the temporary in-

junction granted was vacated. In the course of his judgement the Trial Judge advised the State Government to see that the bye-laws of the market committees and the rules framed under the Act were brought into conformity with the Act and simplified as far as possible; that is how the State Government appointed a committee of enquiry under Dr. Shirname to enquire into the working of regulated markets and to overhaul the existing position in regard to the Act, the Rules and the bye-laws of market committees. After this decision, the merchants at Sangli began to put up their offices and shops on the market yard.

(c) The Gadag Agricultural Produce Market Committee :— Application of the Act : The Bombay Agricultural Produce Markets Act, 1939 was applied to the Gadag Market area viz. Gadag and Ron Talukas and Mundargi Petha in the Dharwar district with effect from 1st March, 1943. At present the market committee is an elected-cum-nominated body with the following representatives.

(1) Agriculturists' Constituency ...	...	...	...	6
(2) Traders' Constituency ...	...	...	...	5
(3) Local Authorities' Constituency ...	...	...	...	1
(4) Government Nominees ...	...	...	...	3

The area of this market comprises, Gadag and Ron Talukas and Mundargi Petha of the Dharwar District.

(3) *Market Proper*:—Market proper consists of the area which is co-extensive with the Gadag-Betgeri Municipal limits and it also includes the area situated within a radius of 10 miles from the central Gadag Market Yard.

(4) The following are the 7 sub-yards in this area other than the principal market yard at Gadag. The existing market places where the actual purchase and sale of agricultural produce used to take place before regulation were declared as market-sub-yards and these sub-yards are located at (1) Mulgund, (2) Mundargi, (3) Ron, (4) Naregal, (5) Sudi, (6) Hole-Alur and (7) Gagandragad.

(5) **Notified Commodities :—**The market is regulating trade in cotton (ginned and unginned), groundnut, (shelled and unshelled) and safflower. The committee has proposed to regulate trade in oilseeds, such as linseed, sesamum, castor-seed and commodities like tur, mug, matki, kulthi, udid, betel leaves, and food grains such as jowar, wheat and gram, vegetable like onions and tomatoes, and coriander.

(6) **Market Functionaries:—**The market committee issues licences to various market operators namely traders, brokers, general commission agent, weighmen and hamals and cartmen. The market committee keeps a close watch over their activities. A feature of the working of this committees is that salaried weighmen are appointed in the market yard instead of issuing licences to independent weighmen. The following statement shows the scale of licence fees prescribed for dealers in different commodities for each year.

Class of Traders	Dealing in			
	Cotton	Oilseeds	Cereals and other millets	Chewing Pans
	Rs.	Rs. (Amount of fee per year)	Rs.	Rs.
I. Traders—				
1. A Class	60/-	50/-	50/-	20/-
2. B Class	40/-	30/-	30/-	5/-
3. C Class	25/-	10/-	10/-	1/-
II. General—				
<i>Commission Agents</i>				
1. A Class	75/-	50/-	50/-	20/-
2. B Class	50/-	35/-	35/-	10/-
3. C Class	30/-	20/-	20/-	—
III. Brokers	45/-	30/-	30/-	—
IV. Weighmen—				
B Class (Outside Market Yard).	5/-	5/-	5/-	—
V. Hamals	1/-	1/-	1/-	1/-

The following statement shows the market charges prescribed on advalorem basis in case of several commodities mentioned below :—

Names of Commodities	Unit Re. worth of produce	Rate	Nature of Charge	Payable by
1. Cotton—ginned and unginned. Groundnut both shelled and unshelled. Oilseeds, Cereals and Other Millets, Coriander.	1/-	0-0-1½	Adat or Commission 0-0-1½	Buyer and Seller
2. Chewing of Pans	1/-	0-0-4½	0-0-4½	do.
3. Unginned Cotton	Per 1 Md.	0-0-3	Brokerage 0-0-3	Buyer
4. Ginned Cotton	do.	0-0-6	0-0-6	do.
5. Oilseeds, Cereals and other Millets and Coriander	Per Rs.100 worth of produce.	1-0-0	Brokerage 1-0-0	do.
6. Ginned and Unginned Cotton.	Per Andegi	0-0-6	Weightment charges 0-0-6	Seller
7. Groundnut pods	Per bag	0-0-1½	Weightment charges 0-0-1½	do.
8. Groundnut, Kernels, Oilseeds, Udid, Jawar, and Other cereals and Coriander.	Per bag	0-0-3	Weightment charges 0-0-3	do.
9. Unginned Cotton	Per Andegi	0-2-0	Hamali 0-2-0	do.
10. Ginned Cotton	do.	0-1-6	Hamali 0-1-6	do.
11. Groundnut pods	Per bag	7-0-9	Hamali 0-0-9	do.
12. Groundnut Kernels and Coriander	Per bag	0-1-0	Hamali 0-1-0	Seller
13. Kardi Seeds	Per bag	0-1-6	Hamali 0-1-6	do.
14. Oilseeds, Cereals and other millets, Gram.	Per bag	0-2-0	Hamali 0-2-0	do.
15. Chewing Pans	Per Andegi	0-1-0	Hamali 0-1-0	do.
16. Ginned and Unginned Cotton.	Per Andegi	0-0-6	Stacking charges 0-0-6	do.

Godown rent, sieving charges and insurance charges are also levied at the following rates:—

Godown rent for the first month for all commodities is charged at the rate of 0-2-0 per each bag, and for the subsequent months at the rate of 0-1-6, except the following commodities :

Oilseeds, tur, mug, matki, udid, kulthi, jowar, wheat, gram and coriander in which case the charge is 0-0-3 per month per bag. If the commodities are deposited for a period in excess of 15 days only the charge is made for a whole month at the rate of 0-0-3 per month.

Sieving is charged at the rate of 0-0-9 per bag in the case of oilseeds, tur, mug, matki, kulthi, udid, jowar, wheat, gram and coriander.

Insurance in the case of cotton (both ginned and unginned) is charged at the following rate per each andegi. First month 0-4-0 for each of the subsequent months 0-3-0. Godown rent and insurance charges are recovered from the seller while sieving charges are recovered from the buyer.

The following statement shows the market cess prescribed by the committee recoverable from the seller in case of different commodities on an advalorem basis mentioned below :—

Names of Commodities	Unit of charge	Rate
1. Cotton unginned	Per Andegi	0-0-6
2. Ginned Cotton—Lint	do.	0-1-0
3. Loose Cotton brought under a license issued under the Cotton Transportation.	do.	0-2-0
4. Fully Pressed Cotton Bales Gund	Per each bale	0-2-0
5. Chewing Pans	Per Anddgi	0-0-3
6. Groundnut Pods	Per Bag	0-0-3
Groundnut Shelled	Per Bag	0-0-6
7. Other Oilseeds, Tur, Udid, Mug, Matki, and Other Millets, Jowar, Wheat, Gram and Coriander	Per Bag	0-0-6

(7) Hours of Trading :—Hours of trading are fixed from 9 a.m. to 12 noon and from 3 p.m. to 6 p.m.

(8) System of Sale :—Carts laden with notified commodities viz. cotton, groundnut and safflower arriving into the market are directed to the commission agents' godown located on the road sides of the market. Agricultural produce is then unloaded and weighed before auction by the weighmen employed by the market committee. Every Docra of cotton or a bag of groundnut is allowed an excess of 4 lbs. so as to cover margin—driage, wastage,

etc. Immediately after this operation, a weighment slip is issued with the details showing the name of the commission agent, the name of the seller, actual weight with the signatures of the weighman and seller. A copy of this slip is given to the seller and also to the market committee. The commodities so weighed are then stacked in the commission agents' godowns. According to the custom and usage obtaining in this place, purchasers visit the Adatya's godown individually and offer their prices for the commodities stacked therein and settle the price after due negotiation. An agreement bond prescribed by the committee is thereafter executed. One copy of this agreement or Kabulayat is given to the purchaser, another to the market committee and a third one is returned by the Adatya. The commodity would then be delivered to the purchaser who would transport it to his own place at his own expense. The purchaser has the option reserved to him to reweigh the Docra or the bag. Sales by auction take place only in the case of co-operative cotton sale societies. It is obvious in the absence of keen competition among the buyers the seller does not stand to benefit much. When the produce is sold the adatya or the commission agent prepares a Patti in which are shown the details relating to the amount of produce sold, the rate at which sold, the various market charges deducted and the net amount due to the seller. The market committee checks a number of pattis to see if the charges permitted only are recovered or deducted.

(9) Income and Expenditure position of the Committee :—
The sources of income of the market committee are the licence and registration fees, market cess and weighment charges. The following statement shows the income and expenditure position of the committee during 1953-54.

(A) *Items of Income—*

						Rs.	a.	p.
(1)	Market Cess	...	...	...	...	26,875	0	0
(2)	License Fees	...	...	...	...	57,172	0	0
(3)	Miscellaneous	...	...	...	...	21,231	0	0
	Total Rs.	...				1,05,078	0	0

(B) *Items of Expenditure—*

(1) Establishment charges	...	...	...	55,267	0	0
(2) Other Expenses	...	...	...	19,282	0	0
Total Rs.				74,549	0	0
Surplus				30,529	0	0

(C) *Market Fund* 2,84,339 0 0

(10) Arrivals in the Market :—The following statement shows the arrivals of regulated commodities in the Gadag Market area for the 5 years ending 1953-54.

Year	Kapas (Docras)	Lint (Docras)	Groundnut Unshelled (bags)	Safflower (bags)	Groundnut shelled (bags)
1949-50	61,843	38,742	6,58,142	35,533	5,741
1950-51	98,860	34,677	9,01,322	47,497	9,936
1951-52	1,22,722	65,608	11,28,339	22,033	9,474
1952-53	66,414	62,007	6,80,848	48,294	7,604
1953-54	96,111	78,810	11,39,093	19,983	13548,

60,223 fully pressed bales were exported to various States from Gadag during 1953-54 of which 53,737 bales were from general area and 9,286 bales came from reserved area.

(11) Grading of Produce :—The Gadag tract is known for two important improved varieties of cotton viz. Laxmi and Jaydhar. Similarly, two varieties of groundnut viz. spreading and erect are also popular in this district. The former variety is more extensively grown than the latter. An important service rendered by this market committee is that it affords cotton grading facilities. The cotton is graded and classified before auction by the Grading Officers appointed by the Market committee according to its colour, leafiness, soil damage, ginning percentage, rain touch, etc. The committee also manages to supervise the ginning and pressing of all the Jaydhar and Laxmi cotton varieties grown in the general area comprised within its jurisdiction. So far 1,52,332 docras of Kapas were graded and 17,266 bales were supervised. The following statement shows the details of the grading work undertaken under the supervision of the committee.

Year	Total No. of Kapas docras that arrived in the market			No. of Docras graded	Total No. of bales pressed
1950-51 ,	98,800	59,701	14,044		
1951-52	1,22,722	59,188	3,282		
1952-53	66,414	13,220	—		
1953-54	96,111	19,228	100		

The following statement indicates the difference in average prices of graded and ungraded cotton at the auction sales of the Co-operative Cotton Sale Society, Ltd., Gadag.

Year	Rate realised Per nag graded cotton (1344 lbs.)		Rate realised per nag ungraded cotton in the Bazar.		Difference	Percentage
1951-52	448	416	32	7.1		
1952-53	635	615	20	3.1		
1953-54	613	579	34	5.5		

(12) Weights and Measures :—Measures are still in vogue as a unit of price quotation. The Secretary of the market committee no doubt supervises the weights and measures but it is understood that this supervision is ineffective because of the interference of the Inspector of Weights and Measures who is working under the Commerce & Industry Department. At this market the weight of a bag varies while at Hubli Regulated Market the filling capacity of a bag is prescribed so as to enable the cultivators to calculate the total weight of the produce brought for sale in the market. The same system may also be followed with profit by this committee also.

The following statement shows the comparative position in regard to trade practices before and after the regulation of the market.

*Trade Practices before
Regulation*

1. Produce was not weighed in the presence of the cultivator as soon as it arrived in the market.
2. Traders used to take 2 lbs. of samples whether the bargain was struck or not.
3. The cost of bardan or gunnies was not paid for.
4. The produce was sold under Hatha System i.e. cover of cloth, and rejection of docras sold was permitted.
5. Charges for charity, postage, panjrapol were claimed by the General Commission agents.
6. The tare fixed for Kapas and Lint was 16 lbs. and 14 lbs. respectively per docra. For unshelled groundnut it was 14 lbs. per bag. In addition deductions were also claimed on account of dampness, inferior quality etc.

*Trade Practices after
Regulation*

1. Produce is weighed in the presence of the seller on arrival and a weighment slip is given to him.
2. The System of taking samples without making payment therefor is now stopped.
3. It is paid now.
4. The produce is now sold by auction and the open agreement in the presence of the Secretary. The buyer is not permitted to reject the docras sold.
5. These are now abolished.
6. The tare fixed for Kapas & Lint is reduced to 9 and 11 lbs. respectively. For groundnut both (shelled & unshelled) and safflower it is fixed at 2 lbs. Other trade allowances are now declared illegal and stopped.

(13) The following statement shows the market charges payable before and after regulation.

Nature of charge			Kapas per Nag	Lint per Nag	Groundnut	Safflower (Rs. 100 worth of produce)
1.	Commission	...	1-0-0	1-8-0	1-9-0	1-9-0
2.	Hamali	...	1-0-0	0-6-0	0-8-4	1-4-0
3.	Stacking	...	—	0-4-0	—	—
4.	Godown Rent	...	0-8-0	0-8-0	0-4-2	0-5-0
5.	Postage	...	0-4-0	0-1-0	—	—
6.	Dharmaday	...	0-2-0	0-2-0	0-4-2	0-5-0
7.	Boarding	...	0-2-0	0-1-0	0-4-2	0-5-0
8.	Panjrapol	...	0-2-0	0-2-0	—	—

Nature of charge				Kapas per Nag	Lint per Nag	Groundnut Safflower (Rs. 100 worth of produce)	
9.	Staff	...	...	0-4-0	—	—	—
10.	Bardan	...	...	4-0-0	4-0-0	—	—
11.	Deduction in weight (Dhalta)	...	...	—	—	16-10-8	4-11-0
12.	Insurance	...	...	0-8-0	1-0-0	—	—
				7-14-0	8-0-0	19-8-6	8-7-0

(B) Subsequent to Regulation
Present Position

Nature of Charge				Kapas per Nag	Lint per Nag	Groundnut Safflower (Rs. 100 worth of produce.)	
1.	Commission	...	...	0-8-4	0-8-4	1-9-0	1-9-0
2.	Hamali	...	...	0-1-5	0-0-10½	0-5-0	0-5-0
3.	Stacking	...	...	0-0-4	0-0-3	—	—
4.	Insurance	...	...	0-2-10	0-2-4	—	—
5.	Weighment	...	...	0-0-4	0-0-3	0-0-10	0-0-10
6.	Cess	...	...	0-0-4	0-0-7	0-1-8	0-1-8
7.	Godown Rent	...	...	0-1-5	0-1-2	—	—
8.	Postage	...	...	—	—	—	—
9.	Dharmaday	...	...	—	—	—	—
10.	Boarding	...	...	—	—	—	—
11.	Panjrapol	...	...	—	—	—	—
12.	Staff	...	...	—	—	—	—
13.	Bardan (or Tare)	...	...	0-11-4	0-9-7	—	—
				1-10-4	1-7-4½	2-0-1	2-0-1

(15) Amenities provided by the Market Committee :—The committee has already constructed a sale hall, an office building, a well and cattle shed in the market yard and proposes to provide similar facilities in the market sub-yards. This committee was rather fortunate in having as its chairman the late Rao Bahadur F. B. Laxmeshwar.

The Agricultural Produce Market Committee
Kopergaon District, Ahmednagar

The Kopergaon Market Committee was established in the year 1948 for the regulation of purchase and sale of gul. Its area of operation extends to Kopergaon taluka of Ahmednagar District. After decontrol and derationing, commodities like wheat,

jowar, bajri were regulated in this market in addition to tur, gram, mug, math, groundnut, (shelled and unshelled), linseed, safflower, and mosambies with effect from 16th August 1954. Kopergaon is an important marketing centre for gul and is next in importance to Kolhapur market in the State.

Arrivals of Agricultural Produce

The total arrivals of gul which were 6,49,630 B.Mds. in the year 1951-52 rose to 6,85,384 B.Mds. in the year 1953-54.

Financial Position

The total income of the Market Committee during the year 1953-54 was Rs. 21,352-4-0 out of which Rs. 11,440 were by way of income from licence fees, Rs. 9,224-4-0 by way of income from market fees and the remaining amount was by way of income from miscellaneous receipts. The total expenditure of the Market Committee was Rs. 13,983-0-10 and the net surplus was Rs. 3,249-3-2.

Method of Sale

Sale by open auction and by open agreement is allowed in case of gul. Gul stored in godowns is sold by open agreement after the auction sales in the Mondha are over in the morning. Carts of gul coming to the Mondha are sold by open auction from 9-0 a.m. under the supervision of the Market Committee. The Market Committee has appointed supervisory staff for supervision of auction sales. Carts coming to the Mondha are arranged by serial numbers and are sold by open auction according to serial numbers given to them. The time limit fixed by the Market Committee for auction is as under :—

1 to 2 carts.	...	...	...	...	1 minute.
3 to 5 carts	...	...	...	...	2 minutes
6 to 8 carts	...	...	...	...	3 minutes
9 to 10 carts	...	...	...	...	4 minutes
One motor truck	...	...	...	...	4 minutes

Similarly time limits are fixed for auction of grain and pulses as under :—

1 to 5 bags	...	...	...	...	1 minute
More than 5 bags	...	...	...	...	2 minutes

In case of Mosambies, their sale is effected by open auction on weekly bazar day, viz., Monday under the supervision of the staff of the Market Committee. Mosambi garden sales are common and mosambies purchased in garden sales are exported directly by the traders. Gul sold in the market yard is weighed and delivered on the same day. Gul sold in registered godowns is weighed and delivered within 5 days. Grains and pulses sold in the market yard are weighed and delivered on the spot. Licensed weighmen are employed for weighment of produce and allotted shops by rotation.

Market Yard

The Committee has not so far secured land for its market-yard. The Committee has now decided to purchase private land measuring about 13 acres by private negotiations at a cost of Rs. 14,001/-.

Amenities

The Market Committee has not so far secured a permanent site for a market yard of its own and hence it has not provided any amenities nor has it provided any godowns of its own on the market yard.

Relations of Market Functionaries :

The relations of the market functionaries with the market Committee are cordial. There were no deadlocks in this market. The Market Committee is, however, finding difficulties in the effective enforcement of the provisions of the Act, Rules and Bye-laws in the absence of a permanent site for its market yard.

The Agricultural Produce Market Committee Kolhapur, District Kolhapur

The Kolhapur Market was regulated in the year 1945 under the provisions of the then Kolhapur Agricultural Produce Market Act, 1954, for the purchase and sale of gul, groundnut, (shelled and unshelled) with effect from 15th October 1954. After the

Note:—Based on information contained in the report of the expert committee.

merger of the State in Bombay in March 1949, the Kolhapur Market was deemed to be a market regulated under the provisions of the Bombay Agricultural Produce Markets Act, 1939. The area of operation of this Market Committee extends to 4 talukas, viz., Karvir, Radhanagari, Bhudargad and Panhala Mahal of Kolhapur District. The Committee has not so far opened sub-yards in the market area. It is, however, proposed to extend the market area of this Committee to Hatkanangale, Kagal, Shahuwadi Talukas and Gaganbawada Mahal and to open sub-market yards at Wadgaon in Hatkanangale Taluka, Murgud in Kagal Taluka and Malkapur in Shahuwadi Taluka. The Kolhapur Market is a very important assembling market for gul and gul produced in the district is renowned for its colour, taste and durability.

The arrivals of groundnut were 2,23,219 bags and in respect of gul were 18,99,462 lumps, in the year 1953-54, valued at Rs. 34,49,316.

Financial Position

The total income of the Market Committee during the year 1953-54 was Rs. 74,727, out of which Rs. 60,481 were by way of income from licence fees, Rs. 12,123 were by way of income from market fees and the remaining amount was by way of income from miscellaneous receipts. The total expenditure of the Market Committee was Rs. 38,451.

Sales are conducted by open auction. Arrivals are heavy during the season. The Committee has, therefore, adopted a system of conducting auction sales by a system of rotation or turns and by allotting specific time to each general commission agent depending on the arrivals of gul.

Market Yard

The Kolhapur Market Committee has not got a permanent market yard of its own. Steps to acquire a spacious permanent site for its market yard are in progress. The Committee has prepared a plan for the development of its market yard.

Note:—Based on information contained in the report of the expert committee.

Amenities

The Committee has not yet secured a permanent market yard of its own and as such, it has not provided amenities on the market yard.

Relations of Market Functionaries

The relations of the market functionaries with the Market Committee are not so cordial as in the other markets and there are frictions at times with regard to the method of auction adopted by the Market Committee, rates of licence fees prescribed and the general administration of the Act and Rules.

APPENDIX A

Important Recommendations of the Expert Committee on
the Review of the Bombay Agricultural Produce Markets
Act, 1939

*Recommendation No. 4 :—*We are of the view that whereas the Hatha System is dangerous to the smooth and efficient working of the market, the system of open agreement is not immune from the disadvantages which are associated with the former system.

*Recommendation No. 5 :—*In major markets such as Kolhapur, Sangli, and Gadag, where arrivals are very heavy it is impossible to finish the sales on a particular day of auction. The remedy lies not in circumventing the sound rule of effecting sales by open auction, but in adjusting the technique which ensures speedier sales.

*Reasons :—*The method of sale differs from market to market. In the case of sale of Gul and Cereals sale is done by open auction while in the case of groundnut and cotton in the Dhulia market sales are effected by the Hatha System. In the vegetable market at Ahmedabad, the system of open auction is in vogue but the bids are first struck by the Hatha System and are then followed by open auction. This was in fact recommended by the Dantwalla Committee. In most of the markets in Karnataka the method of sale is by sample and open agreement. The system of open agreement gives an opportunity to traders to combine and arbitrarily fix the price at lower levels and is, therefore, not immune from the disadvantages of the Hatha System. One of the major objects of the Act is to regulate the method of sale in regulated markets specially in market yards and this object is defeated by following the methods of sale other than open auctions. In some of the markets moghum sales, N-sales and forward sales are effected and there is no check on the issue of sale slips with reference to the agreements.

*Recommendation No. 6 :—*The quality and usefulness of the record maintained in respect of consignment of agricultural pro-

duce brought for sale in the market leave much to be desired. In most of the markets, payments are not made in cash but are adjusted against the accounts of the seller. The Act and the Rules do not provide for the regulation of payment either to the producer or against transactions between traders themselves. The absence of a precise measure has contributed to over-trading and imparted instability to the market.

Reasons:—Most of the payments are not made in cash but are adjusted against the accounts of the sellers which are stated to be running accounts. A bye-law of the Market Committee prescribes that payment must be made to the agriculturist as soon as the produce is weighed and the transaction completed. The bye-law is violated in good many markets by making book entries, showing cash payments on the payments side and deposit receipts on the receipt side. In the majority of markets, the sale proceeds are adjusted against the loans taken by the producer from the merchants.

Recommendation No. 8:—Though there has been a considerable improvement in the field of agricultural marketing, from the intolerable and chaotic conditions obtaining in the State prior to the regulation of markets, there remains a big gap between what has been achieved so far and what the Act seeks to achieve. This gap is the sum total of the shortcomings in the various provisions of the Act and the Rules.

Reasons:—The following are the shortcomings still in evidence which arise from :—

- (a) The establishment of ill-equipped markets under the Act.
- (b) The constitution of the Market Committee in such a way as to leave very little initiative and power to enable it to function effectively.
- (c) Provision of insufficient resources to the committees in relation to services expected of them.
- (d) Want of support or guidance from Government in the efforts of the committees to bring the recalcitrant elements to book.

- (e) Presence of market functionaries unaccustomed to any sort of discipline hitherto and who hope to counteract the provisions of the Act the strength of their collective influence, power and resources.
- (f) The existing loopholes in the Act, Rules and Bye-laws and the exclusion of the more important commodities and markets from their scope.
- (g) Division of administrative control between the Director of Agricultural Marketing and the Collector. The former has inadequate staff while the latter is already overburdened, with multifarious duties. The Collector is the Government representative on the spot to judge certain important actions of the committee and bless or condemn them.

*Recommendation No. 10 :—*We are convinced that the strong link of traders cannot be smashed even by strengthening the market committee or by legislative measures so long as trading is the monopoly of a handful of persons as is the case with cotton market in Broach.

*Recommendation No. 11 :—*The question as to how this can be done and how the different units in Co-operative Marketing sector, can best be linked in order to have much desired, powerful and strong machinery as a counter force to the established trade channels is outside our terms of reference except to the extent that they operate as licence-holders in regulated markets. We urge that the examination of this question should not be postponed any more.

*Reasons :—*The strong link of traders cannot be smashed by merely strengthening the market committee or by enactment of Legislative measures. To make the legislation effective a second force should be created against vested interests. The need for creating such a force is not so much to send the established trade channels to the wall but to foster the growth of fair practices for which healthy competition amongst traders is a prerequisite. Such a force capable of neutralizing the superiority of the powerful, organised and self contained body of commission agents can only be had when there is a net work of strong co-operative marketing organisations operating effectively in the

villages, in the primary markets, in the taluka towns, whole-sale markets, in the Districts and in the terminal markets engaged in inter-State and export trades.

Recommendation No. 15 :—We recommend that no sale of any produce in the market proper should be allowed at any place other than the market yard. This is the present intention of the Government. But to support it Rule 60(1) should be suitably amended.

Reasons :—Under Rule 51-e, the expression 'market proper' means any area including all land with the buildings thereon, within such distance of the Market yard as may be deemed fit to be market proper. But under Rule 60(1) all agricultural produce brought into the market must pass through the market yard. But this rule recognizes one exception in favour of processed agricultural produce which may be sold either in the principal market yard or sub-market yard or market proper or market area in accordance with the provisions of the bye-laws of a market committee. Processed agricultural produce includes ginned cotton, cotton seed, husked paddy, groundnut seeds, but not manufactured produce; while not insisting on the sale of processed produce in the market yard only, it has been argued that, insistence on the sale of agricultural produce within the yard, by the agriculturists who happen to reside within the market proper, restricts the freedom to sell their produce in the manner they consider convenient. It is true that the agriculturists will have to take their produce to the market yards even though they would like to sell it at their doors or in the village itself. But in the opinion of the Expert Committee the facilities offered by the market yard are far superior to those that are available to the producer in the village where the strength of the producer is pitched against the weakness of the agriculturist without any direct control from the market committee or any other authority. Further the market proper is the area covering only a few square miles around the market yard. The cost of transporting or the trouble of coming to the market yard should not be a sufficient deterrent to the producer for taking advantage of the yard. The Committee feels compelled to recommend the deletion of exception provided in respect of processed produce in Rule 60 (i) : The Committee believes that the agriculturist wants to sell the

produce to whom he is accustomed and not because of any disadvantage of going to the yard.

*Recommendation No. 24 :—*When the producer takes his produce to the processing factory for disposal the buyer is in a strong bargaining position and can dictate his own price and other terms both before fixing the price and taking the delivery. Unless those sales are regulated an important purpose of the Act will be defeated.

*Recommendation No. 25 :—*We recommend that all ginning, pressing and processing factories which are required to be registered under the Factory Act should be compelled to take out a Trader's Licence in order to enable them to carry on the activity of buying agricultural produce in their premises.

*Recommendation No. 26 :—*We share the view of the Dantwalla Report, that such a blanket provision will cause considerable hardship to many small producers who would have to carry their produce to the market yards far away from their place of residence. Apart from this, village sales have still one important advantage over market yards. In his village the grower can refuse to sell, if the price is unattractive. But if he takes it to the market yard he cannot afford to wait for a better buyer and he has to sell it at once or leave it at his risk to the care of his adatyā. The reform will have to wait until the farmer is convinced of the benefits of the market yard by their produce being pooled by their society for sale in the yard.

*Recommendation No. 27 :—*Markets in villages where sales take place should not be closed down. Instead, an attempt should be made to regulate them so that the grower can have the best from the nearest market.

*Reasons :—*One aspect of agricultural marketing which has eluded such regulation is the village sales. The villager sells his produce in the bazars held on fixed days in a convenient village for the benefit of surrounding villages. These bazars as well as street markets in the villages provide an easy access to the agriculturists for the disposal of their produce. It is estimated that approximately a third of the total amount of produce is sold in these markets. The villager is generally offered a price better than

that he would get in the market yard from the trader who is himself a seller in the market yard. It may be noted that this is not done out of any philanthropic motive but as a sort of a bait to the producer, to sell in a market where there is no control over the buyer. The trader has the opportunity to deceive the farmer, in weight and thereby compensate himself more than what he loses in the price. It has been suggested, therefore, by some people that village sales should totally be banned, and the producer must be compelled to sell his produce in the market yard itself. The Committee is rightly opposed to this line of action. In its opinion such compulsion might cause considerable hardship to many small producers, who might be at a distance of 5 to 10 miles of the market yard. Apart from this, village sales have one important advantage over market yards. In his village the small grower can refuse to sell if the price is unattractive but if he takes it to the market yard, he cannot afford to wait for a better buyer and has to sell it at once or leave it at his risk to the care of the *adatyā*. Further, farmers have very often only small quantities to sell. The merchants who buy from several farmers get the benefit of bulk transport. If village sales are prohibited altogether, transport will have to be undertaken in small lots, which is decidedly an uneconomic proposition. In these circumstances, the best course in the opinion of the Dantwalla Committee appears to be a stricter enforcement of the existing rules. In the first place all buyers outside the market yard, must be compelled to issue a *Kabulayat Form* (Form V) as soon as transaction is effected and send a copy of the same and that of the payment receipt to the market committees with documents in their possession. The market committees and their staff would be in a better position to check the malpractices. They can contact the seller within a week of the transaction and check up the information entered in the forms about quality and price. If the agriculturist is to have the best in the nearest market, an attempt should be made to regulate the village bazars and sales. When the bazars are held on fixed days the market committee's inspector should be present to supervise the operations. When the street bazars function it might be sufficient at least in the initial stage if the inspector pays a periodical visit and keeps contact with the village society. It would also be necessary to provide that a purchaser of agricultural produce in these mar-

kets, should be a person who has a valid license for the purpose from the market committee and the conditions of licence should be such as to make the licensee behave in a proper manner. If cess is imposed on village sales, it should be possible to maintain an inspectorial staff from out of the additional income which is not at present collected. It has also been suggested that there should be licensed weighmen at every village so that there might be a proper check on weighments of the produce. Efforts should also be made to introduce uniformity in units of quotations, of prices, and the use of standard weights and measures. In the opinion of the Dantwalla Committee the best way to check the village sales and to reduce malpractices associated with them is to make vigorous propaganda about the benefits accruing from bringing the produce to the market yard. The cultivator must be told what savings will be effected through proper weighment and the prohibition of unauthorized market charges if he brought his produce for sale in the market yard. If the farmer knows his rights, if he knows the devices through which he is cheated, if he knows the correct prices prevailing at the time, the farmer cannot be cheated, and the need for supervision would to that extent be reduced. Particularly information about the prevailing prices must be widely broadcast, so that no undue advantage can be taken of the farmer's ignorance. If some of the precautions are taken there is no reason as to why the villager should be compelled to transport his produce for purposes of sale to the market yard. The conveniences available to the villager should not be light-heartedly sacrificed in one's zeal to enforce regulation in the whole of the market area. Better reliance should be placed on creating market consciousness through propaganda and education rather than compulsion to bring the produce from the village, however, remote to the town market.

Processing Factories :—In the case of produce like cotton and groundnut which require to be processed it is customary for the producers to sell the same to the processors. Thus a large portion of the marketable surplus of these commodities is directly sold to the ginneries and the millers. These factories may or may not be within the market proper. Processors are consumers and purchases by consumers and sales by producers themselves are not

governed by the provisions of the Act. What the processors are required to do at present is to conform to Rule 53(3) which grants them exemption from cess in respect of agricultural produce brought from outside the market area into the market area for their use. Some of the unscrupulous processors exploit the producers, since goods purchased from them are passed on as brought from outside that market area. It is estimated that the direct sales to processing factories work out to as much as 20 per cent of the total marketable surplus. The exclusion of these sales from the purview of the Act is a direct inducement for the continuation of malpractices which the Act seeks to eliminate. It is further noticed that when the producer, takes the produce to the processing factory for disposal, the buyer is in a strong bargaining position and can dictate his own prices and other terms both before fixing the price and taking the delivery. The Royal Commission on Agriculture had recommended that the limits of the market proper should be defined so as to include within them all ginneries within a reasonable distance of the market yard. The idea underlying the recommendation was that the transactions on the premises of these ginneries should be brought within the scope of the Regulated Markets Act. If the Commission felt the urgency 25 years ago of regulating the purchases by the ginneries within their premises in the market proper there is more justification to-day for bringing all processing factories engaged in the processing of any regulated commodity within the scope of the Act. In the Madras State, the Collector has the power to licence persons within the notified area for the purpose of setting up, establishing or using or continuing such a place for the storage, weighment, pressing or processing of any notified commercial crop. Such a licence is similar to the one issued to a trader for trading within the market area and is in addition to the licence which he has to take under the Factories Act.

In order to safeguard the interests of persons like Telis who are men with small means and who are not able to exploit the agriculturists, their transactions should not be subject to regulation. In case a factory buys agricultural produce on a large scale, the factory premises should be recognized as market-yards. These market sub-yards should also be periodically inspected for the buying methods of such factories, as well as the methods

adopted in regard to the weighment and payment as well as in respect of their other obligations which will be similar to those of a merchant or commission agent.

*Recommendation No. 31 :—*We recommend that once a commodity is regulated in a market it should be subjected to regulation irrespective of its source or final destination.

*Reasons :—*It is argued by the traders that imported produce has nothing to do with the legislation meant to confer benefits on the agriculturists and it should, therefore, be exempted from the operation of the Act. To this it may be replied that the problem of regulation should be viewed in the wider context. The benefits to be conferred by the Act are not compartmental inasmuch as a regulated market seeks to benefit the agriculturist within its area only. If the produce imported from outside the market area were to be exempted from the scope of the market regulation, it would only provide an additional opportunity for the traders to circumvent the provisions of the Act and the Rules even in respect of the agricultural commodities produced within the market area.

*Recommendation No. 32 :—*We think that in the absence of regulation of oil-cake the malpractices associated with its marketing activity in the irrigated tracts of the State, are of a nature which has deprived the agriculturist of the full benefits from the use of oil-cake as a manure. We urge the Government to examine this question especially in view of the fact that it is proposed to enforce standards in respect of manures. We further recommend that the definition of agricultural produce for the purpose of this Act should cover produce in processed form as well.

*Reasons :—*At present oil-cake is not regulated on the ground that it is not an agricultural commodity. In the absence of regulation the malpractices associated with the marketing of oil-cake especially in the irrigated tracts of the State have deprived the agriculturists of the full benefits from the use of oil-cake as a manure. The malpractices range from quality to short weights. Another case is that of Chilly powder. The subject is outside the scope of enquiry of the Expert Committee but it is important and hence the recommendation.

*Recommendation No. 35 :—*We recommend that Section 3 be suitably amended with a view to making it clear that the consultation with the municipality simply means, elucidating its views, which shall not be binding on the Government and that Government should proceed with the regulation of markets, if it is otherwise satisfied, even though the municipality is opposed to such regulation, or does not submit its views within the stipulated period, say one month.

*Reasons :—*Past experience has shown that in Acts where this consultation has been provided the progress of regulation of markets has been greatly hampered as a Municipality opposed to the establishment of a market might delay the communication of its views and thereby postpone what it considers to be the evil day and hence the recommendation.

*Recommendation No. 37 :—*We are inclined to think that the proviso under Section 4(2) strikes at the very root of the declaration of the market itself. In our opinion since the market area is declared, the market is '*ipso facto*' established and there can be no question of any licence being granted by any authority excepting the market committee including the Government. We recommend that this proviso should be deleted.

*Recommendation No. 38 :—*We are of the view that there can be no regulated market unless there is an authority to regulate its day-to-day operation and recommend that no area should be declared as a regulated market unless a declaration is accompanied by a notification regarding the appointment of a market committee.

*Reasons :—*The immediate effect of the declaration of market is that no place in the same area except the regulated market shall be used for the purchase and sale of any agricultural produce specified in the notification. Secondly, no municipality or a local authority can establish or allow to be established, any place in the said area for the purchase and sale of any notified commodities. But the proviso under Section 4(2) authorizes the Government to grant licence to any person to use any place for this purpose pending the establishment of a market. In the opinion of the Expert Committee, as the market area is declared, the market is '*ipso facto*' established, and there can be no question

of any licence being granted by any authority including the Government except the market committee. Further there can be no market unless there is an authority to regulate the day-to-day operations and hence the recommendation.

*Recommendation No. 39 :—*We recommend that all transactions including resales between traders and traders in respect of agricultural commodities which are regulated should be covered by the Act and the Rules. Thus in a regulated market, trading in agricultural commodities, irrespective of the fact, as to whether they are produced in the market area or sold by the agriculturist, or not, will be brought within the scope of the legislation.

*Reasons :—*It has been the belief of traders that the law is for the benefit of agriculturists, and on this ground they have pleaded that its scope should be restricted only to the dealings with them. The benefit of a regulated market will no doubt accrue only to the agriculturists, but traders will also be benefited by it. No market can be effectively regulated unless and until the regulation covers all the stages of marketing within a particular area. Above all it is not possible to distinguish between the agricultural produce subjected to resale or changing hands between the traders themselves and one sold by the agriculturists, through the commission agents, to the traders and hence the recommendation.

*Recommendation No. 41 :—*We recommend that the system of sales under cover in any form should not be encouraged .

*Reasons :—*In the regulated markets in Bombay State there are at present 8 types or methods of sale viz. (1) sale under cover, (2) forward sale, (3) moghum sale, (4) normal sale, (5) sale by sample, (6) sale by open agreement, (7) sale by open auction, and (8) sale by Jalap system.

Sales under cover of cloth lead to a variety of malpractices as the negotiators only know the price that is negotiated. This system is known to be operating to the detriment of the producer and to the benefit of the trader or the commission agent. It is claimed that under the system no buyer knows the offer of his rival with the result that he is tempted to give higher bid. No

doubt there is some advantage but there is no guarantee that the higher price can accrue to the producer because he does not know the precise offer. Even when such a rate is declared and subsequent offers are invited before the bargain is struck, the mutual understanding between the traders is so strong that no body comes forward to outbid his colleagues in the trade and hence the disadvantages of the system outweigh the advantages.

Forward sales, moghum sales and normal sales are 3 different nomenclatures of virtually the same system. Maghum sales are effected only by an oral understanding between the buyer and the seller without mentioning the rate, it being understood that the buyer will pay the price prevailing on a particular date. This system is adopted when the agriculturist borrows moneys from the trader or when his place of residence is far away from the market. Nominal sales are also effected, on the same basis and for the same purpose. In respect of a forward sale, a definite price is fixed at the time of the transaction. This is actually a specific delivery contract. A disadvantage of this system is that whereas the trader is in a better position to know the market trends and the likely behaviour of the price during the period of the contract, the seller if he is the agriculturist has no such means, to arrive at a proper judgement; when these transactions take place between trader and trader they are free from any abuses since both the parties are in a strong bargaining position. But when the agriculturist enters into the contract, he stands in a subordinate position both in respect of the knowledge of the market and the bargaining power. These methods of sale cannot be effectively controlled. At the same time the need for regulating them cannot be doubted. The process and the method of regulating them may vary from market to market. As a part of regulation the transactions on this basis should be compulsorily in the form of an agreement between the buyer and the seller and should be considered valid only when the agreement is registered with the market committee.

*Recommendation No. 42 :—*We recommend that no such sales should be permitted within the market yard but such sales outside the market yard should be recognized when it is possible to regulate them. We also recommend as a part of the regulation, that transactions on this basis should be compulsorily in

the form of agreement between the buyer and the seller and should be considered valid only when the agreement is registered with the market committee. We think it is necessary to provide for adequate arrangement, as a deterrent to the evasion of the safeguard.

*Recommendation No. 43 :—*We feel that open auction is the best system and every effort should be made to encourage it in the regulated markets. In markets where the arrivals of agricultural produce are heavy we think that certain minor changes in the system might be suitable.

*Recommendation No. 44 :—*We recommend that the law should only provide for the recognition of the open auction system and the tender system within the market yard. We, however, recommend further that outside the market yard but within the market area the system of open agreement may be allowed merely because the grower deals directly with the buyer in most cases and it is not possible to conduct open auctions.

*Reasons :—*The Jalap System of sales is an indigenous one under which sales are effected by producers usually to meet their immediate needs for cultivation and household requirements. The buyer looks at the standing crop and bids for it long before it is harvested. He pays the earnest money to the seller and the account is completed after the delivery of the crop. The buyer in this case has the full knowledge of the market trends while the agriculturist only knows the cost of raising the output and the likely quantum of it. Though the price is fixed at the time of the bargain, the buyer reduces it on flimsy grounds such as deterioration in quality. Thus he ensures for himself the supply without binding himself to pay the agreed price and the seller undertakes the risks of price fluctuations in return for credit facilities granted to him. The only way to make the agriculturist independent of this system is to build up an extensive integrated system of credit in the State. The only two methods of sales mentioned by the Expert Committee on the ground of being fair both to the buyer and the seller are (1) open auction, and (2) sales by sample. The essential features of both the systems are inspection, sampling and grading. Commodities are actually inspected before the auction sale begins. In the case of

sale by sample, transactions are entered into on the basis of samples as the latter conforms to the bulk when the parties are stationed at a long distance. Though the system may be considered to be ideal avoiding, as it does the physical movement of goods from one place to another, it proves fatal to the seller when the market goes against the buyer. It may be suitable for commodities when their movement is liable to cause deterioration in their quality. The Expert Committee is not very enthusiastic about the system. The only remaining system favoured by the Committee is the open auction which is in operation in most of the regulated markets. The system varies from market to market but one that operates at Kopergaon is mentioned by the Committee. The carts of gul are arranged by serial numbers in the order of which the auction is held. The Committee fixes the time limit which ranges from 1 minute in the case of 1 to 2 carts to 4 minutes in the case of a unit of 9 to 10 carts and 1 motor truck. In the case of food grains the time limit is 1 minute for 1-5 bags, and 2 minutes for more than 5 bags. In Kolhapur market when the arrivals are heavy during the peak season, the sales are conducted by turns and each commission agent is not able to get his turn for more than once in a fortnight. By this system of turn-round, the Shetki Sahakari Sangh which handles a substantial quantity of gul is the worse affected. To avoid such inconveniences in the matter of speedy marketing of produce in markets where the arrivals are heavy, the Expert Committee suggests certain minor changes in the system. Gul is divided into 3 broad categories on the basis of quality and if open auctions are held on the basis of quality 3 auctions can be simultaneously arranged under the supervision of the staff of the market committee. In Hyderabad where the open auction system is in vogue, the auctioneer of the market committee opens auctions at a particular shop and continues for the specified number of minutes and then proceeds to the next shop leaving his colleague behind to watch the further progress of the auction and record the price. By this process the turn-round is quicker. This method might be suitable for certain markets.

The system of closed bid auction in operation in the South Arcot Market has been favourably mentioned by the Expert Committee as it assures a fair deal to the buyers as well as the

sellers. A trader anxious to buy a particular lot cannot be sure that his rival will not outbid and hence he offers the highest price. It also avoids violent fluctuations, excitement among traders and disputes and the Expert Committee recommends the adoption of this system in the case of gul in the regulated markets in Bombay. There is some possibility of the buyers privately coming to a secret understanding that the price should not be pushed too high but as the seller has to give his consent to the highest bid, the price cannot be unfairly kept low. To be successful, the system requires that the employees of the market committee will have to be experts and honest as they are entrusted with the scrutiny of tenders. This danger can be avoided by providing for re-examination of a particular decision when it is challenged by any trader.

The system of closed bid is described in detail in a subsequent part of this chapter.

The Expert Committee has strongly recommended that all other systems in operation in the market yards should be forthwith stopped as the law is held to ridicule in certain markets as the system of sale under cover is still prevalent with the connivance and approval of market committees even when these methods are not recognized by the law.

Recommendation No. 45:—We suggest that the printed forms, to be supplied by the market committee should be numbered and bear the rubber stamp of the market committee and also that of the Secretary's signature before they are issued to the license-holders. We further recommend that since the agreement form is the crux of evidence in regard to the completion of a bargain and also for the purpose of collecting cess, the Act should provide that no person shall buy any agricultural commodity in the market including the village unless he holds a licence and executes an agreement in respect of every purchase in forms supplied by the market committee. There should also be sufficient deterrent for the license-holders, against the contravention of this provision.

Reasons:—Traders are generally reluctant on flimsy grounds to execute the agreements after the deals are struck under Rule 62; and no penalty is provided at present for the default.

Though printed forms are supplied, there is no guarantee that they will be used and hence the recommendation.

*Recommendation No. 47 :—*We would prefer the Madras System which insists that each market yard should be equipped with a set of master weights which are checked and stamped every year and the market committee checks the weights, used in the market with these master weights.

*Reasons :—*A suggestion is made that a weigh-bridge should be installed in every market yard, but it is only a mixed blessing. The correct weight can be assured to the farmer if the weigh-bridge is kept in proper order and the cart is placed in proper place. Failing these conditions opportunities for mischief on the weigh-bridge are greater.

*Recommendation No. 50 :—*We recommend that an authenticated list of allowances prepared in consultation with and the approval of the Director of Agricultural Marketing should be permanently exhibited for the information of the producers.

*Reasons :—*The provision for trade allowance is accepted in practice in order to provide for the contingency arising from admixture of foreign matter to a certain extent in the case of agricultural produce such as ground-nut, packing and quality. At the same time, it may be that traders are accustomed to make unwarranted deductions, particularly in unregulated markets. In West Khandesh regulated markets, heavy deductions are made on account of various factors. Trade allowance in Bijapur market is granted separately both for driage as well as moisture and the Expert Committee feels satisfied that trade allowances permitted have been exhaustively misused. There is also the difficulty in granting a legitimate allowance, on account of containers; strictly interpreting the provision of the Bombay Weights and Measures Act the authorities administering the Act have insisted that containers including bags and bardans, of each seller must be weighed separately. This is neither convenient nor practicable. In certain markets the buyer is required to pay the price of the containers. The question of payment for containers can be settled if the seller has the option to refuse to deliver the containers except at a price acceptable to him. As regards allowance on account of alleged deviation from sample

it may be stated that sales by sample in the regulated markets in Bombay are an exception rather than the rule. Long before the bidding starts, the buyer has an opportunity to inspect the goods, ascertain the extent of moisture, dirt, etc. Normally there should be no trade allowance for those factors when the commodity is displayed in a heap. In the Hyderabad market no trade allowance is admissible if the sale is effected by the heap method.

*Recommendation No. 51 :—*Once market charges are fixed there should be no addition by way of dearness or any other allowance during the season.

*Reasons :—*In some markets, recording charges for making entries into books is charged by the commission agent. Another novelty is the practice of granting dearness allowance as a part of the market charge. If the services rendered by the market functionaries, are to be reasonably remunerated and if the conditions are abnormal it would be better to revise the market charges including commission, weighment, and hamali at the beginning of every year.

*Recommendation No. 52 :—*We opine that a slightly lower price will ultimately prove a more reasonable and realistic basis from the view-point of the market as well as the agriculturist himself provided the payment is more prompt than the higher price pregnant with the danger of a total loss.

*Recommendation No. 53 :—*We recommend that the bye-laws should also regulate the system of payments, between the traders themselves. In making these recommendations, the Expert Committee realises, the desirability of not disturbing unduly the existing trade practice. It would be necessary while devising the basis to take note of the fact that credit is essential. The Committee does not wish to make a specific recommendation regarding the period of credit in respect of transactions between traders but suggests that in no case it should exceed a fortnight.

*Reasons :—*The commission agent has to pay the amount of sale proceeds to the agriculturist whether he receives the amount from the buyer or not. The system in vogue throws the burden of financing the transactions on the commission agent. If the agri-

culturist is indebted to the commission agent it is adjusted against his loan account or it is credited to his deposit account in the books of the commission agent. The period of payment for transactions by the buyer is governed by usage in certain markets or at his convenience if the merchants' association has not initiated any agreed practice. It may be noted that the health of a market depends on prompt and regular payment against transactions and when a trader fails to honour his obligations, the morale of the whole market is affected. Moreover, extension or non-regulation of credit encourages over trading in the market resulting in wide fluctuations and instability in prices ; but a rigid control of credit will also have a restrictive influence and to that extent, the price offered by buyers might be less than what may be offered under unregulated credit. The problem of payment will have to be viewed from the point of stability of the market as a whole for without a stable market, the agriculturist cannot get a fair price ; while emphasising the fact that credit is essential, the period should be regulated on the basis of past usage and might vary from 1 week to a fortnight.

Recommendation No. 54:—We recommend that the responsibility of grading should not be imposed on a market committee until the system of grading is adequately supervised and the market committee is in a position to perform their more important functions effectively. We, however, recognise the importance of grading from the point of enabling the farmer to get a premium for quality production and suggest that marketing co-operatives should be encouraged to do it.

Reasons:—Rule 91 makes it compulsory for a market committee to maintain for the use of sellers and buyers, a set of samples of standard grades of agricultural produce sold in the market. Grading is at present done in the case of a few commodities like cotton, gul, chillies and mosambies on the basis of commercial practices rather than on the basis of technical standards conforming to the Agmark Rules. It will be noted that the system of grading as such does not exist in the State. The system can be considered to be a sort of sorting rather than grading. The market committees have not taken themselves to grading as they have not got the requisite resources for ensuring the prompt

grading of agricultural produce. There is no certainty also that the grading done by a market committee will be accepted by the traders for the purpose of trading.

Recommendation No. 57 :—Warehousing is a specialised business calling for a special agency and we think that extreme care will have to be taken by the authorities before granting a warehouseman's license to any party.

Reasons :—The Act and the Rules impose no obligation on the market committee for storage and warehousing of agricultural produce. Rule 88 authorizes only the market committee to regulate the storage of unsold goods in godowns and warehouses owned and hired by the licensees. Storage facilities may be divided into two broad categories. Storage may be necessary when the goods arrive in the market in larger quantities from what the market can digest or when prices fall to uneconomic levels so as to provide the time lag for adjustment of supply to demand. Storage of goods may also be undertaken for the manipulation of a market. It may be noted that warehousing means very much more than mere storage. Its success depends upon not only on the construction of standard godowns but also on the standardization of agricultural produce and the experience of the warehouseman.

It should be obligatory on the commission agents through whom the goods are sold to provide for temporary accommodation and Rule 88 provides sufficient safeguards to prevent the exploitation of the agriculturist by the commission agent. In some markets neither the commission agent nor a co-operative society is in a position to provide the necessary storage facilities. In such markets only the market committee should undertake to provide storage accommodation on the understanding that it takes no storage risk and that the storage is at the cost of the owner and that the charges are moderate.

Recommendation No. 58 :—We recommend that the Rule should provide that every dispute in the market yard and sub-market yard should be represented to the market committee and should be settled through the machinery provided by the market committee.

Reasons:—Rule 37 is based on the well accepted principle of the organized trade exchanges and is at present seldom invoked and the licensees as a rule, settle their disputes, with the connivance of the market committees mainly through the merchants' associations. Such a practice is undesirable as the ends of justice may not be met and it seeks to create an organisation parallel to the authority of the market committee.

Recommendation No. 58 (a):—We recommend that there should be a sub-committee of appeal composed of 3 members of the market committee. Such a sub-committee should be approached only for the purpose of hearing and disposing of any specific appeal (The portion is omitted from recommendation No. 58 and hence it is added as 5(a)).

Recommendation No. 59:—We recommend that market information should be made available to the agriculturists, through the Village Panchayats and Agricultural Societies free of cost.

Recommendation No. 60:—We recommend that the daily report should cover daily arrivals in the market, trend of prices, the number of bargains done in the market yard and the trend of demand and supply. This information should not only be displayed on the notice board but also be circulated in the villages by post. In addition to this, each market committee should prepare and supply a weekly market review covering normally the factors governing the trend in the market it regulates and also in associated markets. The weekly report should also mention the basis on which the price parity is worked out so that the agriculturist can know the price relationship between the two markets.

Reasons:—Under Rules 63 and 92 the responsibility for supplying market information has been placed on the market committee. At present no market committee reports the stocks held by mills. Apart from this the inadequacy of market information is extensive in other directions as well. At present this service is not only dependent and is not very useful to the agriculturists. The information which the traders receive from their counterparts in other centres is far superior to what the market committee makes available to them. In Madras the market committees display a variety of statistical data including the weather

conditions the progress of the crop acreage, trend of prices, trade position, movement of commodities, etc. No attempt has been made in the State either to interpret the data or to undertake a weekly review ; because of lack of resources both in men and money. Moreover, there are difficulties in collecting the necessary data, as the market committee has no facility to collect information from the area beyond its jurisdiction. The market information will have to be made available to the agriculturists in their villages and it should be about their own markets firstly and secondly, about other markets. Again it will have to be supplied promptly and in an independent manner.

*Recommendation No. 62 :—*We recommend that the legal aspect of the question of regulating the entry to the market should be examined by the Government.

*Recommendation No. 63 :—*While approaching the problem regarding the cancellation or suspension of a license, we submit that the measures considered necessary by exchanges organized by the trade itself might be considered as suitable.

*Recommendation No. 64 :—*We have come to the conclusion that the existing provisions in respect of penalties including the cancellation or suspension of licences must be strengthened.

*Recommendation No. 65 :—*We recommend that there should be a greater reliance on the issue of the powers to punish, vested in the market committee than on recourse to courts. Such a method should also meet the ends of justice quickly.

*Recommendation No. 66 :—*We recommend that in the case of fines the decision of the market committee should be final ; but the Director of Agricultural Marketing should have powers to review such a decision by calling for the papers or a representation from the aggrieved party.

*Recommendation No. 67 :—*We recommend that 2/3rds majority should be only in respect of the members present at the time of consideration of the issue.

*Recommendation No. 68 :—*We recommend that the provision made in Rule 67(7) should be suitably amended and recommend further that all the categories of market functionaries including traders should be covered.

Recommendation No. 69 :—We recommend that the employees, license holders and their assistants should be given badges.

Réasons :—The market committee is the authority regulating the market on the spot. If it is to discharge this responsibility it should be adequately vested with powers. Firstly it should have the (a) power to regulate the entry of persons to the market, (b) power and facilities to supervise the behaviour of those who enter the market, (c) power to punish those who do not conform to the discipline. These powers can be exercised because of direct supervision in the market proper and indirect control in the rest of the market area. Whether the control or supervision may be direct or indirect, it must be firm and not liable to be evaded.

(a) Power to regulate entry of persons to the market :—Market committees exercise certain powers to refuse to give a licence to any applicant. Under Rule 65 in Bombay the licence can be refused only when the applicant is not solvent or his operation is not likely to further the effective working of the market, and the reasons for refusal have to be recorded under the bye-laws of a market committee. Thus the discretion to refuse to grant a licence is not absolute but is to be used judiciously. Under Rule 65 no person can do business as a trader or as a general commission agent in agricultural produce in any market area except under a licence granted by a market committee. Under Section 5(4)(a) of the Madras Commercial Crops Market Act, 1953 the Collector may in his discretion grant or refuse to grant a licence. In a recent case it has been held by the Madras High Court that this Section is void to the extent that it confers on the Collector power to refuse a licence at his discretion. It has also been held that Rule 37 under the Act is also void in so far as it prohibits persons whose names have not been registered as buyers or sellers from carrying on business in the notified area. There is no material difference between Rule 37 in Madras and Rule 65 in Bombay regarding the system of licensing in Bombay and one of registration in Madras. In view of the decision of the Madras High Court, the committee thinks that the *bottom out of the structure of regulation of markets will be knocked out if the decision of that Court were to be held valid*. Hence the recommendation No. 62.

(b) Regarding cancellation or suspension of licenses the market committees have been vested with certain powers under the Act, the Rules and the bye-laws. But these powers are hedged with certain restrictions e.g. cancellation or suspension of a licence can be ordered by a market committee when 2/3rds of the members assent to it. In a market committee of 15 when the 3 nominated members are mere observers, and agriculturists residing far away it is not always possible that all the members will be present, but the law insists that at least 10 members must support the decision. If the decision is to cancel a licence for more than 6 months it can be effective only when the Collector approves of it. Again under Rule 66 cancellation or suspension of a licence must be only for a fixed period.

The bye-laws of organised commodity exchanges provide for expulsion, suspension and fines for different offences, including refusal to abide by awards and unbecoming conduct.

In several cases of dispute between the committees and the functionaries the committees are obliged either to withdraw the prosecution or to accept the adverse decision of the Court. In a few cases where the conviction was obtained the penalty was nominal with the result that the punishment has failed to act as a deterrent. That is why the market committees must have sufficient powers to impose penalties adequate in relation to the nature of offences. The proof of the offence is not always easy to be collected for the purpose of meeting the requirements of judicial decisions in a market yard as the traders are reluctant to give evidence against one belonging to their fraternity while the agriculturist is anxious to avoid the inconvenience of attending a Court of Law as a witness and is likely to be influenced by the trader with whom he has dealings. On the other hand evidence to the extent of satisfying the committee may be collected. It is this distinction that underlies the recommendation No. 65.

It may be noted that there are certain types of offences in respect of which it would be desirable to get the offender convicted by a Court while there are others of a minor nature in respect of which token punishment by way of fines say upto Rs. 25/- might be considered sufficient. It is only in respect of offences

of a grave nature that suspension or cancellation of a licence, may be favoured by market committees. The latter type of penalty is drastic. Hence the recommendation No. 66. The Expert Committee sees no objection to the addition of proviso to Rule 66 whereunder the agrieved party can have an opportunity to appeal to the Director of Agricultural Marketing against the order of suspension or cancellation for even less than 6 months provided it stipulates that the order shall remain in force until the appeal is disposed of. In regard to the suspension or cancellation of a licence, the Expert Committee recommends that the procedure to be adopted by a committee should be elaborate ; on the report of the Secretary a charge sheet should be framed, and the Chairman should call upon the person concerned to give his explanation within a week. If he fails to give evidence within the prescribed time in denial of the offence alleged, the view that a *prima facie* case has been established, should be accepted. It is difficult also to obtain 2/3rds of the members of the market committee in favour of the decision to suspend or cancel a licence, hence the recommendation Nos. 67 and 68.

Market committees should be considered to be competent to decide whether a person is worthy of being admitted to the market yard or not. The provision of licensing market functionaries is designed to cover only a section of the persons who require access to the market yard. There are others including the employees of the market functionaries, who require to be admitted to the yard, if the market functionaries are to discharge their duties effectively. The bye-laws only provide for the issue of badges to weighmen and measurers who are already licensed. Again the market committees are required to determine from time to time the maximum number of employees or assistants who shall be entitled to work in the market on behalf of their employers who are license-holders. They should be given badges. The Expert Committee suggests the introduction of gate pass in order to regulate the entry of those in whose case badges or licenses may not be suitable.

Under Rule 67(1) no person shall do business or operate in the market area except under a licence, while the net effect of Rule 65(7) is that one can afford to pay Rs. 200/- per annum by way of fine and continue to trade in the market without a

licence and without conforming to the obligation imposed thereunder. Such a provision defeats the very purpose of the Act. Some of the members of the Expert Committee feel that this ridiculous position can be remedied only if the market committee is given a power to confiscate the goods or equipment, brought to the yard by a person illegally entering the yard ; but such a drastic power is likely to be misused.

*Recommendation No.70 :—*We recommend that the powers of the Chairman of the market committee should be the same as those mentioned in respect of the Municipal President. We recommend that he should have the power to suspend the licences for a period not exceeding one month as has been provided in Rule 67(1). We recommend that upon taking any action the Chairman should report the same to the market committee at its next meeting together with the reasons which had prompted him to take that action. If the market committee does not endorse this action, he should have an opportunity to appeal to the Director of Agricultural Marketing against the ruling of his colleagues and if the decision is adverse to him he should vacate his office.

*Reasons :—*The Chairman of a market committee has been defined under Rule 29 as the Chief Executive Officer of the committee. This rule has not so far operated to the effective working of the market committee ; for if he is a representative of the agriculturists, he is generally resident outside the market proper and is unable to play the role assigned to him. If he is a representative of the traders, he is partial to his own constituency and he is unable to function impartially as the Chief Executive Officer. Besides the Chairman has his own vocation to follow, and has no stake in the affairs of the market committee ; nor has he got the time or the urge to devote to the day-to-day affairs of the committee. The duties of a President under the Bombay Municipal Borough Act are :—

- (i) To preside over the meetings of the Municipality and conduct business at much meetings.
- (ii) To watch over the financial and executive administration.

- (iii) To exercise supervision and control over the acts and proceedings of the employees of the Municipality in matters of executive administration and in matters concerning accounts and records of the Municipality and to dispose of questions relating to the service of the employees.
- (iv) To direct in cases of emergency the stoppage of execution of any work or the doing of any act which requires the sanction of the Municipality.

Recommendation No. 71 :—It is desirable to have qualified and experienced Secretary for each market vested with powers which are necessary to enable him to carry his duties effectively.

Recommendation No. 72 :—We recommend that the Government should appoint a person as Secretary for every market committee.

Reasons :—The functions of the Secretary have not been defined either under the Rules or in the bye-laws. The Chairman is the Chief Executive Officer and the position of the Secretary is that of a mere Head Clerk. His position is weak, because his appointment and prospects are dependent on the whims of the market committee. He has at present no right to attend the meetings of the market committee and to express or submit to it his views on any subject unless he is called upon to do so. In short he has neither a locus standi nor has he any opportunity to take initiative in any matter. On the contrary he is made the scape goat by the Chairman when something goes wrong. He is appointed not because he has experience or requisite qualifications for the job but he is most amiable to the wishes of the Chairman and enjoys confidence of most of the members of the market committee. What is desirable is to have a qualified and an experienced Secretary for each market committee with powers which are necessary to enable him to do his duties efficiently. If these requirements are to be fulfilled the Secretary's fate must not be in the hands of the market committee on which there are two distinct groups. Further, it is not always that a market committee is in a position to provide opportunities for promotion beyond certain levels and the scope for recruitment is also limited. The Secretary is the key officer who as the highest paid officer, has to devote his time and energy to the proper regulation of the

market. In Hyderabad the Secretary is a lent officer who is paid out of the Central Fund and has powers to control the market including the power to settle ordinary disputes and enter the premises and inspect the books of the licensees. In Madras the Government has powers to appoint the Secretary having executive powers, and to determine his emoluments. It is not enough to have a qualified and experienced Secretary if his functions are not precisely defined or he is not armed with sufficient powers to carry on his executive authority. Under Rule 38(A) (suggested by the Expert Committee) he shall be Chief Executive authority of the market committee and carry into effect the resolutions of the market committee. He shall be under the disciplinary control of the Chairman. He shall conduct all correspondence and be responsible for keeping of accounts and punctual submission of all returns. He shall call meetings of the market committee and exercise control over the subordinate staff. He may exercise such control as may be deemed necessary in case of emergencies. He shall maintain the minutes of the meetings and sign the same. He shall submit or express his views on the subjects.

Opinion solicited by the Expert Committee was unanimous that the Secretary should be appointed not by the market committee but by the Government.

So far as other employees are concerned, the Expert Committee is of the opinion that provisions contained in Section 9 of the Act and Rule 38(4) are adequate to meet the requirements. But it recommends that the Service Rules and the Provident Fund Rules should be suitably revised so as to bring them in line with modern ideas regarding conditions of employment. Rules 24 and 25 of the P.F. Rules defeat the very purpose with which the fund is associated.

*Recommendation No. 73 :—*We recommend that ordinarily the constitution of the market committee should provide for the representation of co-operative societies in the area served by the market.

*Recommendation No. 74 :—*We recommend that traders should have 3 seats on the market committee. There is also the provision under Section 6.

*Recommendation No. 75 :—*We recommend that the co-operative marketing organisations in the market holding valid licences as traders, should have one seat.

*Recommendation No. 76 :—*We have come to the conclusion that a local authority in whose jurisdiction the principal market yard is situated should have the right to nominate one representative on the committee. In order to ensure that the traders' nominee does not take his seat on the market committee as a representative of the local authority, the present provision, which disqualifies only the licence holders, should be extended to cover the employees as well as relations of license holders. We further recommend that there is no need to give representation to any other local authority which is entitled at present to send a representative, if a sub-yard is opened in the area under its jurisdiction.

*Recommendation No. 77 :—*We have come to the conclusion that the Mamlatdar should be one of their nominated members of the committee and should be instructed to vote propositions and his work as a member of the committee should be considered as a part of his duty in the field of rural development.

*Recommendation No. 78 :—*We recommend that the members of the managing committee of agricultural co-operative societies and the members of Village Panchayats in the market area and members of the District Local Board residing within the market area other than those who hold a license from the market committee and have interest in such a licence should be considered as voters for the agriculturists' constituency.

*Recommendation No. 79 :—*We recommend that the agriculturists' constituency which would cover the whole market area should be divided into single member constituency with a view to ensuring representation for every sub-area in the market and the different sections of the agricultural population.

*Recommendation No. 80 :—*We recommend that the 'D' class traders should be excluded from the traders' constituency and should have no representation on the market committee.

*Recommendation No. 81 :—*We have come to the conclusion that the Traders' Constituency should be divided into two groups. As regards the division of representation, we are of the

view that from the point of working of the market, the volume of business transacted by each group is a better criterion than the number of license holders. We recommend that the two seats should be reserved in the constituency for traders holding A and B class licences and one seat for C class license holders.

*Reasons:—*Section 6(1) of the Act prescribes the constitution of the market committee. The market committee under this Section is to consist of 15 members of whom 7 are to be elected by agriculturists, 3 by traders, subject to reservation of 1 seat for co-operative sale societies, 1 on behalf of the municipality and the rest nominated by the Government. Rule 4, however, gives the discretion of fixing the number of members of market committees to the Collector. Apart from the conflict between the Act and the Rule the procedure for electing the representatives on behalf of the agriculturists is costly and cumbersome and often leads to disputes. The purpose of reserving a seat for a co-operative sale society is defeated by its inclusion in the Traders' Constituency and the purpose of having Government nominees on the Committees has not been achieved.

While admitting that the present strength of the market committee is neither unwieldy nor low, the question to decide is how the 15 seats should be distributed. The agriculturists should have 7 representatives on a market committee of 15 members. As regards private traders they are more powerful and better organised and their interests are common *vis a vis* agriculturists, hence recommendation No. 74. At present the candidate on behalf of co-operative sale organisations has to get the support of the largest number of traders themselves. Although co-operative sale societies are traders, they stand on a different footing from private traders as they are organisations of agriculturists themselves. As such they are a cementing factor between the two important wings of the market. Thus one seat is sought to be taken away from the direct influence of the normal trade channels; hence recommendation No. 75. As regards the seat given to the local authorities the Expert Committee opines that they have important functions to perform such as maintenance of sanitation, health and water supply and construction of roads within the market and hence the recommendation No. 76. Out of the 3 seats to be filled in by Government, the Government nominees are the Market

Inspector, the Mamlatdar of the taluka in which a market yard is situated. Where there is only one representative of the municipality, Government also nominates one more influential non-official associated with rural co-operative activities. The Expert Committee feels satisfied about the role played by the Marketing Inspector as a nominated member of the Committee. As regards the Mamlatdar it may be stated that he is so much overburdened with his work that he hardly finds time to attend the meetings of the committee nor does he participate in the discussions nor does he vote on any proposition. Thus the object of nomination by Government has been defeated, hence the recommendation No. 77. As regards the 3rd member preference should be given to representatives of sale organisation, which may or may not be license holders. Failing a proper representation, the Expert Committee recommends that the Assistant Registrar should be nominated as a member of the Market Committee. It is only as a last resort that the nomination of a non-official outside the fold of marketing co-operative is favoured.

(a) *Agriculturists' Constituency*.—Under Rule 8 all agriculturists residing within the market area and who are within the co-operative fold as well as landlords paying an annual land revenue of Rs. 8/- and tenants of such lands, are eligible to vote. The number of voters in this constituency runs into thousands and election expenditure becomes very heavy. In one case Rs. 14,000/- were spent out of an income of Rs. 75,000/-. In another market having hardly an income of Rs. 18,000/- Rs. 6,000/- were spent in conducting the elections. Yet in another market Rs. 5,000/- were spent for the preparation of the election programme. These trends in the opinion of the Committee, are undesirable and are disproportionate to the benefit resulting therefrom apart from the disputes and rise of tempers during elections.

If the cost involved is to be minimized and fair representation secured for the agriculturists the present procedure will have to be changed and voting arranged through indirect representation. 60 per cent of the agriculturists are at present selected by the agricultural co-operative societies and the panchayatdars, of these societies are elected by the members themselves. To that extent, therefore, the members of the committee of these socie-

ties may be considered to be the true representatives of the agriculturists. Similarly the State has a net work of village panchayats which embrace a large number of villages. There are also representative organisations of the agriculturists in a different field. For the same reason a member of the District Local Board residing in the area in respect of which the election is to be held should be eligible to vote. Between these three agencies the agriculturists can be said to have a fair representation and hence the recommendation No. 78. Co-operative societies include co-operative crop protection societies, co-operative farming societies of all sorts, multipurpose societies, Taluka Development and other types of agricultural resource societies except those which are licensed as traders under Rule 65. Further suggestion is made in recommendation No. 79.

(b) *Traders' Constituency* :—Traders subjected to licensing have been divided broadly into 4 categories.

"A" *Class Traders* :—They buy in the market yard but sell in the market area.

"B" *Class Traders* :—They act only as commission agents in the market yard and sub-yard or factories.

"C" *Class Traders* :—They buy anywhere in the market area except the market yard, or sub-yard, but sell only in the market yard, sub-yard and factories.

"D" *Class Traders* :—They buy anywhere in the market area but sell only to the consumers. They are generally retail sellers not subject to any control of the market committee but supervised only by the municipality. The market committee is concerned with the purchases made by them in the regulated markets. Since they have no stake in the market as retail sales are exempted from regulation, the Expert Committee recommends that they should have no representation on the committee and hence the recommendation No. 80.

There will be only 3 classes of traders eligible to vote ; the C class trader has been included, because he has a definite function to perform in the market i.e. that of a buyer and seller and makes important contribution to the successful functioning of the market yard. In the circumstances he should have a seat for his class. The C class trader plays an important role and numer-

ically he has a greater stake outside the market yard and he is the strongest. Both A and B class traders together are in a minority. The creation of one constituency for the 3 classes of traders viz. A, B and C will operate to the disadvantage of the more important section of the traders and is apt to have adverse repercussions on the effort to build up the market yard and hence the recommendation No. 81.

*Recommendation No. 83 :—*We consider it undesirable that a defaulter of a co-operative society or a village panchayat should be eligible to contest the election.

*Recommendation No. 84 :—*We recommend that the practice of submitting supplementary budget or amending the original budget might be suitably introduced with the safeguard that the new items extended should be subject to the approval of the Director of Agricultural Marketing.

*Reasons :—*In order to cope with the heavy volume of work during the busy season it has not been possible to engage temporary staff. In the light of past experience such a contingency might be anticipated while framing the budget but even then there might be circumstances when unforeseen items of necessary expenditure would crop up. The Committee further emphasizes that the standardization of the budget should be attempted and adequate check had in respect of accounts through audit. In view of the fact that the busy season starts from December, the Committee recommends that the market year should be shifted from the 1st of August to 1st of October each year.

*Recommendation No. 86 :—*We recommend that not only the Secretary of the Market committee should be appointed by the Government but his emoluments should also be paid by the Government itself.

*Recommendation No. 87 :—*We recommend that each market committee should be required to contribute 30 per cent of the annual income to the Government in order to enable it to provide these services irrespective of the fact as to whether the contribution so paid, is sufficient to render these services or not.

*Reasons :—*In Hyderabad, the Government has created a central fund to which each market committee is required to con-

tribute 40 per cent of its income. This fund is built up for maintaining supervisory staff and for providing grant-in-aid for development works of market committees which have deficit budgets. The employees, of the fund are not treated as Government servants, but provision is made out of the fund for retirement benefits. Thus distinction between Government employees and employees of the fund has not been conducive to the efficiency on the part of the staff employed by the fund and hence the recommendation.

*Recommendation No. 88 :—*We urge that every effort should be made to discourage the use of the word 'cess' which is liable to create misunderstanding and result in legal difficulties.

*Recommendation No. 89 :—*We recommend that the basis of levying the fee on agricultural produce should be uniform i.e. As. 4/- per Rs. 100/- worth of agricultural produce sold in the market area.

*Recommendation No. 90 :—*We recommend that the basis of levying the fee on agricultural produce bought in the market should be Ad Valorem.

*Recommendation No. 91 :—*We recommend that the fee should be payable by the buyer who should be free to recover the same from the seller as a part of the market charges.

*Reasons :—*The use of the term 'cess' has created legal complications in the Madras State and it is interpreted as a tax which Government alone has the right to impose. Hence the use of the word 'cess' is discouraged. Though the quantitative basis is convenient from the point of collecting the cess it imports rigidity from the point of the income of the market committee and imposes hardship on the agriculturist, in periods of low prices. In times of boom the agriculturist, has the capacity to pay more. The quantitative basis will make the incidence heavier when the farmer is not in a position to bear while it will be lower in times of boom. The fee is easier to collect on an ad valorem basis because the farmer knows that it varies with the fluctuations in prices. The only difference between the two bases is that in one case it can be calculated as soon as the commodity is weighed and in the other it can be done only when the price payable to the farmer is calculated after the weight. The present scale

is neither uniform nor fixed on a rational basis. The 'light burden' on the agriculturists is to be interpreted in the context of price structure, the services rendered by the market committees to the agriculturists. Their services fall short of the expectations of the agriculturists themselves. If they are to be fulfilled they should come forward to finance them. The volume of agricultural produce to be sold in regulated markets is estimated to be not less than 300 crores. At the rate of As. 4/- per cent, the Committees will get an income of Rs. 75/- lakhs. The Committee further estimates that the present annual income will rise by about 50 per cent upto 30 lakhs. This level of income is absolutely necessary for financing large-scale development programme. The fee is at present payable by the agriculturists but is to be received and paid on their behalf by the licence holders. The system not only affords scope for evasion but has also created difficulties in collection and hence it should be payable by the buyer in the first instance and made recoverable as part of market charges.

*Recommendation No. 92 :—*As a precaution it might be provided in the Act that when the agricultural produce sold by a trader to another trader or by a commission agent on behalf of the agriculturists, it shall be his duty to report to the market committee about the fee paid by him to the buyer as a part of the market charges. Further more it should be provided that no agricultural produce should leave the market unless the fee due to the market committee is paid for .

*Recommendation No. 93 :—*In order to ensure the collection of the fee we recommend that this should be recovered in the same manner in which the arrear of land revenue is recovered. The exemption from the payment of fee under Rule 53(3) and (4) should, however, be continued after excluding from Rule 53(4) the words 'private use' which are likely to facilitate the non-payment by processors. The word 'use' should be replaced by the word 'consumption'.

*Recommendation No. 94 :—*We recommend that the position should be clarified in the Act itself in order to avoid legal difficulties and inconveniences to the market committee.

Reasons :—Licence fee is meant not only to finance the cost of enquiry into the merits of the application for licence, but also for financing the operations of the market committee concerned with the supervision of license-holders, so that they behave in conformity with the conditions of the licence. The licence fees must also bear the cost of fruitless enquiries which do not result in the issue of licences and of supervision of the market so as to discourage the entry of unauthorized persons as buyers. The latter aspect of the working of a market committee directly benefits the license holders, as the refusal of entry of unauthorized persons, eliminates unhealthy competition against the license holders. If the market is an efficient one it can attract sufficient volume of produce. It is only then that the license holders can pick and choose the right type of goods. To this extent, therefore, they are benefited by other activities of a market committee. Hence the different resources of a market committee are one and inseparable and indivisible. They should not be valued compartmentally. This position is already accepted in Rule 41. This is the basis of recommendation No. 94.

Recommendation No. 96 :—Since the functions of the commission agents are mainly confined to the market yard, sub-yard and factories it is necessary to stipulate this, in the definition itself. Similarly in the case of a broker it is necessary to clarify that he cannot employ a servant of his principal in initiating or making contracts.

Reasons :—The art of selling is a delicate process as pursued by a specialist. Though it is not necessary to employ a middleman, the agriculturist employs one to sell his goods. There are two kinds of middlemen employed for the purpose (i) the commission agent and (ii) the broker. A broker is one who simply brings buyer and seller together and the deal is completed without his assistance while a commission agent accepts additional responsibilities like holding goods on behalf of the seller as a custodian and is responsible for the recovery of sale proceeds from the buyer. The definition of a broker and a commission agent given by the St. Louis Exchange is as follows :—

“ A commission agent is one who makes a business of buying and selling goods, keeps goods in his custody and controls them

during the process of their sale or purchase and collects the money from and pays the money to the seller. A broker is one who executes contracts or transactions in the name and for the account of those who employ him for that purpose". The Committee recommends that while defining the general commission agent, the liability of making payment to the seller or delivering the goods to the buyer should be fixed on him.

Recommendation No. 102 :—We recommend that the basic qualification for allowing a person to function as A and or B Class trader should be assurance to the market committee of his financial solvency and the guarantee that it would be maintained during the period, he is allowed to function in the market and his ability to maintain proper equipment viz. a shop, a godown, stamped weights and personnel to help him. We further recommend that the condition of solvency should be applicable to other classes of traders as well. These qualifications are in addition to the normal expectations about a person wishing to carry on the trade.

Reasons :—Buyers are usually the traders who purchase goods in the hope of selling them elsewhere or even in the same market at a profit. They may do so either directly or through an agent. They may buy either in the market yard or in a sub-yard or a factory or village bazars or in the village itself at the doors of the farmer. The term trader has been used in the wider sense to cover one who may be a buyer or a commission agent or both. Traders fall into four categories as already mentioned in a previous paragraph. A co-operative sale society or a multi-purpose society falls in any one of these categories.

Recommendation No. 103 :—We recommend that no commission agent (B class trader) should be allowed to act as an agent for two parties in the same transaction nor should he be allowed to buy goods as a principal when he is himself acting as the agent of the seller.

Reasons :—The process of merging one class of business with the other, is accompanied by certain evils which should not be allowed to thrive to the detriment of the market. When a commission agent selling goods on behalf of other is also a seller of his own goods, he is likely to sell his own goods first. To

that extent the dual role inflicts injury on the sellers, who appoint him as his agent. Secondly when he is an agent of a seller and also a buyer especially on behalf of a trader in the same transaction he may buy cheap and sell high and charge his commission from both the parties. In this respect also the seller whose agent he is, is also sacrificed. These evils have got to be checked. The condition of issue of a B Class Traders' Licence should be to prohibit the dual role.

*Recommendation No. 104 :—*We recommend that the form in which organised Exchanges seek the information about a trader should be adopted in the prescribed form in which their applications should be submitted.

*Reasons :—*The licensing procedure in the case of traders will have to be elaborate in order to ensure that they function in accordance with the Act, the Rules and the bye-laws, and the directions of the market committee and the condition of licensing should be made applicable to all functionaries. The procedure should be simple in the case of all functionaries other than traders because expectations in their case are limited in view of their being of secondary importance. In order to enable a market committee to evaluate the application of a trader it should contain full particulars on the lines of a commodity exchange. On receipt of application the Secretary should verify the contents of statements made and get ancillary information about the application so that a correct decision may be taken by the market committee.

*Recommendation No. 105 :—*We recommend that the licence fee in the case 'D' Class traders should not exceed Rs. 5/- and should not be less than one rupee.

*Recommendation No. 106 :—*We recommend that the licence fee to be charged by a market committee in the case of 'C' Class traders should be subject to a maximum of Rs. 40/- and a minimum of Rs. 30/-.

*Recommendation No. 107 :—*We recommend that the licence fee in the case of A and B Class Traders should not be more than Rs. 100/- and less than Rs. 75/-.

Recommendation No. 108:—We recommend that the system of issuing a combined licence should be discontinued. As regards the licence fee to be charged in respect of weighmen, surveyors and warehousemen, we recommend that the *Status Quo* (i.e. the maximum of Rs. 15/- and minimum of Rs. 10/-) should be maintained.

Reasons:—The maximum and minimum fees operating for different classes of traders at present are :—

A Class traders	...	...	...	Rs. 150-60
B Class traders	...	...	...	Rs. 50-25(Commission agent)
C Class traders	...	...	...	Rs. 20-10 with special concession of 50 per cent in respect of Telis.

Now scales suggested by the Expert Committee are:—

A Class traders	...	...	...	Maximum	100	Minimum	75
B Class traders	...	...	...	"	100	"	75
C Class traders	...	...	...	"	40	"	30
D Class traders	...	...	...	"	5	"	1

A class traders, buy anywhere in the market yard and sell in the market area. B class traders act as commission agents in the market yard, sub-yard or factories. C class traders buy anywhere in the market area excepting the market yard and sub-yard and sell only in the market yard, sub-yard and factories. D class traders buy anywhere in the market area but only sell to the consumers.

The last category of traders plays a very insignificant part in the market and has to be licensed only as a buyer. The role of the C class trader is important inasmuch as the sales outside the market yard, are very nearly 30 per cent of the regulated trade. Hence the scale of licence fees ranges from 30-40. In the case of A and B class traders, their role is a crucial one and, therefore, the cost of supervising their operations is greater.

Further they have a lion's share of the regulated trade. But the present maximum in their case is felt to be very high and hence the scale suggested varies from 75 to 100 rupees.

*Recommendation No. 109 :—*We recommend that every licence holder must undertake to abide by the Act, Rules and Bye-laws and Rules, Orders, directions and decisions of the market committee or its Chairman or Secretary.

*Recommendation No. 110 :—*We recommend that the licence holder should be held responsible for all acts of his employees.

*Reasons :—*The object of such a licence is to give a concessional rate in respect of the fee and nothing else. The concession is not watched considering the quantum of relief afforded, the financial obligations undertaken, and the volume of produce handled. Further in the case of a combined licence there is the danger of legal quibbles over suspension of that licence. because offence committed in the capacity of wholesale trader will not warrant cancellation of licence in respect of his transactions as a commission agent.

*Recommendation No. 111 :—*We recommend that the bye-laws (model bye-law No. 42) should be suitably revised so as to provide that license holders should be responsible for the actions of their employees in the market yard and every license holder should furnish a list of employees who are authorised to transact business on their behalf only when they are approved by the market committee.

*Recommendation No. 112 :—*We recommend that the bye-laws of the market committee should provide for specific penalties by way of fines to be imposed by the committee for the refusal to abide by the awards, or to refer the disputes to arbitration for acting in any manner detrimental to the interest of the market committee.

*Recommendation No. 113 :—*As a further precaution we recommend that the present practice of issuing a licence for a period of one year should be continued so that an opportunity will be provided by the market committee to review the behaviour of the license holder. We recommend that the procedure adopted in regard to the renewal of a new licence should be followed

though the enquiry may not be meticulous since the licence holder is already sufficiently known to the market committee. We, however, urge that no licence should be renewed particularly if the applicant has not traded in the area for which the previous licence was issued to him for more than a week without a valid reason or his conduct is not in its opinion in the interest of the smooth working of the market committee or he has over traded and has directly or indirectly participated in strikes or boycotts.

*Recommendation No. 114 :—*We recommend that the conditions on which licences are issued to private traders should also be applicable to marketing co-operatives.

*Reasons :—*As a part of the conditions of a licence, the licence holder has to execute an agreement with the market committee. As regards conditions of the licence A and B class traders should deposit cash security in a bank or a third person's guarantee for an amount to be permitted in the bye-laws and agree that the deposit shall not bear interest nor be made returnable so long as they hold valid licence. Further the deposit should be subject to the first charge of the committee and to the second charge of other license holders. This condition is necessary to ensure financial solvency of traders and to prevent the instability of the market owing to default. The agreement should further provide that the license holder should provide within the prescribed time the requisite equipment including a shop, godown and weights according to the standards laid down by the committee. In order to prevent the boycotts and strikes on the part of a trader the agreement should further provide that he will not suspend or discontinue business without giving one month's notice. He should further agree to submit all minor disputes to the market committee subject to an appeal to the Director, in the event of suspension or cancellation of licence. Another condition should be to prevent a change in the constitution of his firm until the change is approved by the Committee. This conditions is necessary because some of the traders have run away from the markets after transferring the business to another party. Lastly the agreement should provide that neither his licence nor his property in the market yard be alienated without the approval of the committee in favour of any one.

*Recommendation No. 114 :—*We recommend that the conditions on which licences are issued to private traders should also be applicable to marketing co-operatives.

*Recommendation No. 117 :—*We have come to the conclusion that no regulated market can be developed without the support of a marketing co-operative. In turn no society can develop within the market unless it is supported by the market committee.

*Recommendation No. 118 :—*We recommend that the higher priority should be given to the marketing organisations in the matter of selection and allocation of stalls and plots. We further recommend that wherever no such society exists the market committee should reserve a plot or a stall or even keep it vacant so that when the society is registered it can step in.

*Recommendation No. 119 :—*We recommend that the market committee should adopt the system of rationing the turn of open auctions in relation to the turn over of the licensees.

Reasons :— An institutional organisation cannot take more than one licence. The disadvantageous position of a marketing co-operative vis-a-vis the trader will have to be counteracted. The applicant for a licence should disclose the names of the adults in the joint Hindoo family, partners in the firm, names of directors in the Joint Stock Company as licences are sometimes issued in the names of these persons. While issuing a licence care should be taken to see that these associations are also not issued the licence. The recommendation No. 119 will ensure an equitable treatment to all licence holders including a co-operative society on the basis of the volume of business handled. This may be resisted by traders but proper precautions should be taken to counteract this opposition in time.

*Recommendation No. 120 :—*We urge the Government to take up the question of priority for Railway Transport to co-operative organisations with the Government of India in the interest of the successful conduct of regulated markets.

*Recommendation No. 129 :—*We recommend that the question of establishing regulated markets in fruits and vegetables wherever there is sufficient volume of wholesale trade, should be pursued. We are also of the view that such a type of market

to which supplies for sale are almost wholly received from the grower demands a special treatment and should not be regulated unless and until the market committee to be entrusted with its regulation is assured of sufficient resources. In the event of regulation, a separate market committee should be established with an area which may or may not be the same for which a regulated market has already been established provided the sphere of operation is clearly defined so far as commodities are concerned.

Recommendation No. 130: We recommend that the regulation of tobacco which is one of the major cash crops under the Act should not be delayed any more.

Recommendation No. 131:—In respect of dealings between the growers and the dalal we recommend that the payment to the cultivator should be made in cash immediately after the produce is delivered against the sale. Since the dalal has already enjoyed credit from the grower an account of the previous transactions which are not covered by the regulation, we opine that this recommendation in respect of future transactions will not have a restrictive influence on his activity provided he wants to play fair to the agriculturists.

Recommendation No. 132:—We recommend that the method of payment for transactions between traders and traders should be regulated on the basis of the practices evolved by a trade association and recognized by the Director of Agricultural Marketing and the position should be reviewed after 3 years. When such a trade association does not exist the payment should be made on a cash and carry basis.

Reasons:—This recommendation refers to the tobacco trade and the disabilities of the grower of tobacco.

Recommendation No. 133:—We are of the view that the system of trading on the basis of samples is sound, provided it does not give opportunities to the buyers to repudiate the transactions on the flimsy ground that the produce delivered is not up to the standard of the sample. To avoid this danger which is associated with the sample system at present and yet to encourage the method of sale by sample, the transaction will be complete and no

dispute will take place, if the buyer does not reject the quality within 3 days from the conclusion of the bargain made on the basis of the sample.

*Recommendation No. 134 :—*We recommend that a separate market committee should be established for exclusively regulating the tobacco trade. At the same time we are of the view that these market committees must have sufficient resources to discharge their duties and responsibilities under the Act.

*Recommendation No. 135 :—*We recommend that two market committees one for each area should be established.

*Recommendation No. 136 :—*We recommend that the market area for tobacco in the Kaira District should be the whole of the Charotar area covering Anand, Borsad, Nadiad, Petlad and Bhadrán Talukas. Similarly the market area in South Deccan should cover the whole of the Nipani area including Nipani, Gadh-Inglaj, Jaisinghpur and Miraj Talukas. We further recommend that the towns where the trade is concentrated should be declared as the principal market yards and others should be declared as sub-yards.

*Reasons :—*This also refers to tobacco trade. The problems of marketing of tobacco are not similar to those of other commodities and the interests affected also may not be the same. In the Bombay State there are two compact areas where the trade is concentrated. These areas are the Charotar area and the Nipani area.

*Recommendation No. 140 :—*We recommend that the Government should appoint a committee to undertake an elaborate enquiry into the working of any of the terminal markets, with a view to deciding the type of regulation in the case of these terminal markets in Bombay in the light of the special conditions operating therein.

*Reasons :—*There are merchants' associations in Bombay for the purpose of regulating commodities such as condiments, betel nuts and betel leaves. The up-country sellers have complained before the Committee about the methods of striking the bargains and completing the transactions which are alleged to be detrimental to their interests and that they had no option but to pass

on that risk to the primary producers. Similarly the betel nut merchants' association has acquainted the Committee with the handicaps, under which the uncountrry dealers have to sell the agricultural produce in Bombay. The Expert Committee could not undertake an elaborate enquiry into the working of terminal markets.

A terminal market is a market in a port town or means a market in which the produce is sold to processors, exporters and traders dealing directly with the consumers or engaged in inter-State trade. Markets situated in places other than a port town are styled as Secondary Terminal Markets where the dealings between traders and farmers, represent a proportionately larger share in the aggregate volume of business than the one in the port town.

Recommendation No. 141 :—We recommend that the Director of Agricultural Marketing who is presently held responsible for the administration of the Act should be vested with all the powers presently exercised by the Collector and that in exercising them he might consult the collectors wherever he thinks it is necessary.

Reasons :—If the position is to be properly appraised a detailed examination of the present administrative system of working on the basis of dyarchy is necessary. The powers exercised at present by the Collector, the Director of Agricultural Marketing and the Government are given below :—

(1) *Collector's powers over market committees* :—

Rule No. 4 :—The Constitution of the market committee.

Rule No. 8 :—Determination of the constituencies.

Rule No. 9 :—Determination of the names of persons qualified to vote from different constituencies.

Rule No. 10 :—Preparation of the voters' list and powers to hear and decide objections in connection therewith.

Rule No. 11 :—Power of calling upon the constituencies to elect their representatives.

Rule No. 12 :—Power of issuing notice of election.

Rule No. 15 :—Power of publishing list of nominations.

Rule No. 16 :—Power of scrutinizing nominations.

Rule No. 17 :—Power of disposal of objections and rejections of nominations.

Rule No. 20 :—Power of making arrangements for election.

Rule No. 24 :—Power to fill in casual vacancies on the market committee.

Rule No. 28 :—Power of electing Chairman and Vice-Chairman of the first market committee.

Rule No. 30 :—Power of electing Chairman and Vice-Chairman on the expiry of their term of office.

Rule No. 37 :—Power to appoint a panel of persons for settling disputes.

Rule No. 39 :—Power to call special meetings of the market committee.

Rule No. 66 :—Power to cancel or suspend the licence on the recommendation of the market committees and the power to appeal against the decisions of the market committee in this respect.

(2) Powers of the Director of Agricultural Marketing :—

Rule No. 38 :—Power of approval of the appointment of Secretary and Accountant.

Rule No. 27 :—Approval of the amendment to bye-laws relating to levy of cess, fixation of market charges and their levy and collection.

Rule No. 48 :—Power of approving investment of funds of market committees.

Section 15 :—Power to grant permission to the market committee to borrow up Rs. 25,000/-.

Rule No. 93 :—Power to call a special meeting of the committee.

Section 12 :—Power to give decisions in an appeal.

The Government has also reserved to itself certain powers under the Act and the Rules.

It will be seen from what is stated above that the functions of the Director are purely advisory and it is the Collector who is concerned with the day to day working of the market committees and the effective enforcement of the provision of the Act including the determination of the suitability of the sites for the market yards, acquisition of sites and matters relating to elections of market committees. In this set up the Chief Marketing Officer and his staff play the role of an expert adviser.

According to the Expert Committee, of the important reasons for the failure of the Act to produce maximum results is the division of the powers between the Collector and the Director. The reasons why the Collector is vested with the power appears to be that the Collector is the highest revenue official in the Districts where these markets are situated and that he being the representative of the Government on the spot should exercise the powers. No doubt the Collector is an important authority and he knows the local conditions and can take decisions on the spot. There is also the other side to the medal. The Collector being closely associated with local atmosphere is liable to be influenced by pressure policies in the area of his jurisdiction. That is why the advantage of association of the Collector has resulted in weakening the market committees and undermining their influence. Besides the Collector is overburdened with work of his own so much so that it is impossible for him to devote any particular attention to the day-to-day working of the markets or to the variety of problems ranging from the indiscipline of the market functionaries to strikes and boycotts. Nor has he got the necessary staff. The Royal Commission on Agriculture was emphatic that the working of regulated markets should have nothing to do with the Revenue Department. The experience of the working of the Act has shown that the problems of regulated markets have to be handled only at the expert level. But at the same time there is the advantage of advice from an authority having intimate knowledge of local conditions and problems. Even when the authority of the Collector is taken away his expert knowledge and advice will be available to the Director of Agricultural Marketing. The Committee is aware that some of the Collectors have used their knowledge in imparting strength to a market committee

in areas where the monopolistic elements have been trying to thwart the efforts of Government for promoting orderly marketing.

*Recommendation No. 143 :—*We recommend that the powers under Section 28 should also be vested in the Director of Agricultural Marketing.

*Reasons :—*This refers to calling for and examining the proceedings of any market committee.

*Recommendation No. 144 :—*We think that the Director should have the powers to impose new bye-laws or amending the existing ones if he considers it desirable. In making this recommendation we do not think we are suggesting anything radical.

*Recommendation No. 145 :—*We think that unless the Director of Agricultural Marketing is armed with powers, in addition to those for imposing or amending the bye-laws, or directing the market committees to take a particular action or not to take it and to cancel or suspend licenses of market functionaries the desired results will not be achieved.

*Reasons :—*The Expert Committee has favoured decentralization of authority in respect of details and centralization of authority so far as policy issues are concerned. The essence of recommendations is to equip the market committee with adequate powers and to provide safeguards against their misuse. The Government of Bombay had powers of making bye-laws in respect of regulation of several of the forward markets in Bombay and this model has now been taken by the Government of India for the purpose of regulating commodity futures in the country. Under the Forward Market Regulation Act, 1952 other powers associated relate to the issue of directives to the market committee in respect of doing or not doing a particular thing and taking action against a particular member of exchange in the interest of the trade. It is also necessary to empower the Director to recover the cess from the members if they do not carry out the instructions of the Director. If these powers viz. power to cancel the licenses of recalcitrant functionaries and power to recover cess from the market committees which are vested in them, the occasions for strikes would be less and the market committee will not share the responsibilities in the matter of taking any particular action.

*Recommendation No. 148 :—*We recommend, that whereas the administration of the Bombay Agricultural Produce Markets Act should be continued to be entrusted to the Registrar in his capacity as Director of Agricultural Marketing, the Chief Marketing Officer should be designated as Joint Director of Agricultural Marketing and that the functions of the Director of Agricultural Marketing should merely be confined to the overall supervision and policy issues and the Joint Directors should be left with the initiative of formulating programmes and executing them in relation to the regulation of markets.

*Recommendation No. 149 :—*We recommend that the Joint Director of Agricultural Marketing should be exclusively concerned with the work under the Bombay Agricultural Produce Markets Act.

*Recommendation No. 150 :—*We are of the view that the Joint Director of Agricultural Marketing should be a person who has at least technical knowledge regarding agricultural marketing in the districts and terminal centres and should be competent to give expert advice on all aspects of agricultural marketing of which market regulation is but one part.

*Recommendation No. 151 :—*To ensure the recruitment of a qualified and experienced person we think it should not be necessary to confine the choice to one Department or to one office only.

*Recommendation No. 152 :—*We are of the opinion that marketing is a technical business far more intricate than even the conduct of co-operatives.

*Reasons :—*The Chief Marketing Officer would be designated as Joint Director of Agricultural Marketing and has charge in respect of the administration of the Act and his supervision over and guidance to market committees will be so heavy that he cannot divide his time and energy between market regulation and marketing co-operatives. The proposals of the Expert Committee ensure co-ordination between the two wings viz. market regulation and marketing co-operative and of the latter with agricultural co-operative credit at the higher level. As a Joint Director he has to look after over 170 market committees handling agricultural produce worth Rs. 300 crores .

The stakes of the agricultural population in agricultural marketing are higher than those in the co-operative organisations, while the risks implicit in the former are greater to-day than in the co-operative sector. The Marketing Inspector and the officers above him should be special experts to handle the market mechanism and even to repair it.

Further the magnitude of the routine work which is itself technical will also be substantial and hence the staff under the Joint Director should not be interchangeable with any other office including that of the Registrar though the administrative head of the Department might be one.

*Recommendation No. 153 :—*We have come to the conclusion that persons recruited for the office of the Joint Director should not be interchangeable with any other office including that of the Registrar though the administrative head of the Department might be one. We also hope that the terms of employment will be commensurate with the responsibility they are called upon to shoulder and the charge will be of a size which will enable them to do full justice to it.

*Recommendation No. 154 :—*We have come to the conclusion that no marketing inspector can do full justice to his duties if he is placed in charge of more than 6 market committees even when he is relieved of his co-operative work.

*Recommendation No. 155 :—*We are confident that both the market committees and the marketing inspectors, should be able to function effectively if charge of the latter is confined to 6 market committees especially when the co-operative work will be taken away from them. This would mean normally one marketing inspector for one District but when the assembling centres are more it may be necessary to have more than one inspector. We would suggest that the possibility of dividing the charge per inspector, on the basis of market committees, instead of on the basis of administrative unit, might be examined by the Director of Agricultural Marketing.

*Recommendation No. 159 :—*We wish to mention that the office of the Joint Director of Agricultural Marketing is the generator of the energy which is to set the whole machinery of regulated

markets into action and consequently the equipment must be such that it does not take any heavy load so as to throw itself out of gear.

*Recommendation No. 157 :—*We recommend that the Market Research Section should be strengthened so that it should be possible for this Section to provide day-to-day and week to week information about marketing at its different stages.

*Recommendation No. 158 :—*We do not want to go into the detailed structure of this organisation but we wish to state that the Marketing Research Section should be headed by a person who should be qualified and experienced.

*Reasons :—*The work of the Marketing Research Section at present covers detailed enquiries into the marketing of agricultural commodities and compilation of reports thereon on the lines laid down by the Agricultural Marketing Adviser to the Government of India and other auxiliary activities. This Section is also responsible for collecting market intelligence in the terminal market of Bombay and supplying it among the market committees and co-operatives and the Government of India. In doing this work the Marketing Research Officer is assisted by the Assistant Marketing Officers and Marketing Inspectors in the Districts. This Section is neither commensurate with the responsibility it has to shoulder nor is it in a position to supply market intelligence of the quality expected by the market committees and those making use of the market. This section should, in the opinion of the Expert Committee, provide basic services in order to enable the agricultural producers and their organisations to know when, where and how they should market. In a market where agricultural prices vary from minute to minute, the importance of prompt and correct market information, can hardly be exaggerated and hence the recommendation.

*Recommendation No. 160 :—*We recommend that a separate cadre be created so that the Government can have a pool of officers and other supervisory staff which might be interchangeable between the Marketing Department, Market Committees and Marketing Co-operatives.

Recommendation No. 161 :—What we recommend is the cadre of persons who will be in the employment of the Government and will be subjected to the Bombay Civil Services Rules and the Government Servants' Conduct Rules.

Recommendation No. 164 :—We recommend that it should be obligatory for every market committee to get itself affiliated to the Advisory Committee of its region and the constitution of these Advisory Committees should provide for powers to supervise their respective affiliated market committees.

Reasons :—To promote closer understanding between the Director of Agricultural Marketing and the market committees in respect of administration and working of the Act there must be a liaison agency at the regional and the State level. These agencies are the advisory committees of Regulated Markets which have been set up in the linguistic divisions of the State. They are expected to prepare plans and estimates in respect of office buildings, godowns, standardize the forms used in their daily working and arrange for the dissemination of prices of regulated commodities. They are further expected to convene conferences for consultation of common problems, obtain legal advice for them and generally to tone up the working of market committees. To carry out their functions they raise funds by means of Rs. 15/- as entrance fee and an annual subscription from every market committee. The Central Advisory Committee consists of the Chairman of the market committees affiliated to it on each region. These Central Advisory Committees should not be charged with the duty of collecting and disseminating market information.

A State Central Advisory Committee has also been set up by the Government in 1955 with the Registrar, co-operative Societies and Director of Agricultural Marketing as Chairman and Chief Marketing Officer as Member-Secretary. Other members of the committee are the 3 Chairman of the Regional Advisory Committees, 3 representatives of the Traders' Constituency and 3 representatives of the agriculturists' constituency in the 3 regions. The objects of the Committee are :—

- (i) To co-ordinate the work of Regional Advisory Committees.

- (ii) To promote unity of work of market committees.
- (iii) To tender advice on legal and technical matters.
- (iv) To promote orderly marketing.
- (v) To do such other work as may be entrusted to it by the Director of Agricultural Marketing.

Other duties of the Committee are to carry out research, undertake grading and standardization, warehousing activities and co-operative marketing. It is expected to be in close touch with the Agricultural Marketing Adviser to the Government of India. But so far this committee has not met. There are other useful functions also which these bodies can perform.

*Recommendation No. 166 :—*We are all unanimous in regard to the minimum requirements in connection with the construction of yards, by the market committees themselves and recommend that the least that should be done is to have a separate engineering section in the office of the Joint Director of Agricultural Marketing for the preparation of plans of these yards, and supervision of their construction.

*Reasons :—*One of the handicaps in the development of regulated markets is the paucity of modern market yards. The market yards will have to be of a specific standard. Some of the Expert Committee members feel that the yards should be built by Government itself according to specifications laid down and the cost should be treated as a loan to market committees.

*Recommendation No. 167 :—*We recommend that the administration of the Bombay Weights and Measures Act should be entrusted to the Director of Agricultural Marketing.

*Recommendation No. 169 :—*We recommend that the Government of Bombay should take up the question of the system of allocation of wagons with the Transport Ministry so that wagons can be allotted by the Station Master on the basis of the recommendations of the market committee.

*Reasons :—*The question of allocation of wagons is at present a source of favouratism.

*Recommendation No. 170 :—*We recommend that the Government should either direct the Municipalities to earmark 25

per cent of their revenues from Octroi and taxes received on account of buildings, water tax, sanitation and conservancy tax and such other taxes for providing amenities in these yards or alternatively for handing over that share to the market committees in order to enable them to provide the amenities, which it is the legitimate duty of the Municipality to provide.

*Reasons :—*The relations between the local authority and a regulated market are not, as they should be, for various reasons. Though the Municipal revenue has gone up as a result of the operation of a regulated market in its jurisdiction the amenities provided by them in the market yards are either absent or insufficient. Though there are some exceptions, the performance of the Municipality is poor. In the Kolhapur market it is reported that the Municipality collects Octroi in regulated commodities to the tune of Rs. 2 lakhs.

*Recommendation No. 172 :—*We recommend that the Bombay Agricultural Produce Markets Act should be the only Act on the basis of which the marketing of agricultural produce should be regulated.

*Recommendation No. 173 :—*We have come to the conclusion that there is no need for enacting a separate law for any agricultural commodity but appropriate adjustments, to meet the requirements can be made within the frame-work of the Act while evolving the structure of the market and the constitution of the market committees supervising over them. We recommend that there is no need for a separate Act for commercial and non-commercial crops.

PART III

Working of Regulated Markets in the Madras State

The Madras Commercial Crops Markets Act, 1933 provides for better regulation of the purchase and sale of commercial crops and for that purpose provides for the establishment of markets. The object of the Act is to establish markets in important areas for commercial crops through the Market Committees established for the purpose in the notified areas. Commercial Crops are defined in the Act. If any other crops which are not defined in

the Act are to be included. Government has to notify such crops as commercial crops.

The salient features of the Act and the Rules thereunder are very briefly summarized as follows :—

(1) Government after declaring its intention of exercising control over the purchase and sale of commercial crops as specified in the notification, declares a notified area and establishes a market Committee for that area. The area of a Market Committee extends to a district. The Market Committee fixes certain places as markets for the sale of commercial crops. The Committee at the district headquarters unlike in the case of other States controls and manages the markets established at different commercial centres in the district through its sub-committees.

(2) After declaration of the market area no person can within the notified area set up, establish, or use, continue, or allowed to be continued, any place for the purchase or sale of a notified commercial crop except under and in accordance with the conditions of a licence granted to him by the Collector. Sales and purchases of notified commercial crops do not take place in the market proper. There are three places where purchases and sales take place in the notified area, viz. (i) market yard, (ii) gins and oil mills, (iii) villages. The Collector issues licences to the Ginners, Press owners, or oil mill owners and other merchants so as to permit them to have a place for purchase and sale of notified commercial crops in their premises. Traders are licensed to purchase and sell in the villages. The Collector also gives licences to persons within the notified area, to set up, establish or use, continue or allowed to be continued, any place for the storage weighment, pressing or processing of any notified commercial crops subject to certain terms and conditions. The Market Committee issues licences to weighmen and brokers; traders in the market yard are not licensed but the names of such traders are registered by the Market Committee. No cess is recovered on notified commercial crops from the sellers of such crops but fees are levied on commercial crops within or upto the maximum limits prescribed under Rule 28 of the Rules and the fees are recovered from the buyer. Fees are also recovered

from persons who are licensed to establish a place to carry on trade beyond the market yard upto the maximum limits prescribed under Rule 28(3) and from persons who are allowed to undertake storage, weighment, pressing or processing of commercial crops. The Market Committee recovers registration fees from the traders for registering their names as traders and arbitration fees from the parties to a dispute arising in the course of transactions in the market. The Superintendent of the Market has powers under the Act to inspect weights and measures used by the traders.

(3) *The Constitution of a Market Committee*:—A market Committee consists of 12 persons of whom 5 are representatives of growers, 4 are representatives of traders, 2 are Government nominees, and 1 is an ex-officio member who is the District Agricultural Officer serving in the area covered by the Market Committee. Five representatives of growers are elected by the growers of commercial crops within the notified area and 5 seats of growers are distributed among the talukas according to the number of growers resident therein. Thus there are 5 groups in the notified area of the market. From each group 1 representative is elected. The Traders' representatives are elected from constituencies made up of persons licensed as traders and who have dealings beyond the market area and persons who are allowed to set up, establish, use or continue or allowed to be continued, any place for storage, weighment, pressing or processing of any notified commercial crop. 2 are nominated by Government. The elections to a market committee are conducted by the Revenue authorities. Government has framed separate rules known as the Madras Commercial Crops Markets Election Rules 1940, and these are incorporated with other rules framed by Government for the purpose of carrying out the provisions of the Act. The Chairman and the Vice-Chairman of a Market Committee are elected from among the members. The powers enjoyed by a Market Committee are wide and are subject to the approval of the State Marketing Officer, Government or Collector. The Committee adopts bye-laws which are approved by the Director of Agriculture but the budgets of income and expenditure of a market committee are approved by the State Marketing Officer. The members constituting the first Market Committee are all

nominated by Government and hold office for a period of one year. If before the expiry of the period of one year, election of members cannot be held or if for any reason Government considers it desirable that the committee should consist only of members appointed by them they may extend the term of office of all or any of the members appointed by them or appoint new members in their places for a period not exceeding one year.

The Market Committee and its Officers

The Market Committee is competent to employ such officers and servants as may be necessary for the management of a market and the terms and conditions of their employment are governed by such rules as are prescribed by Government. The Secretary of every Market Committee is appointed by Government and the scale of his pay and allowances is also fixed by Government. The Secretary of a Market Committee is its executive officer and has to carry in effect the resolutions of the market committee; the Secretary is under the disciplinary control of the Chairman and other officers and servants are subject to the control of the Committee. Pending the appointment of a Secretary by Government, the Secretary appointed by a market committee is empowered to perform all the duties of a Market Secretary but he is not permitted to exercise the executive authority of the committee. In such a case the Chairman is the executive authority of the committee.

Powers of the Committee

The Market Committee is not allowed to recover trade allowances except those which are prescribed by Rules or bye-laws made under the Act. The Market Committee can borrow funds for the purpose of carrying out the purposes for which it is established with the previous sanction of Government. The State Government is empowered to supersede a Market Committee if it is not competent to perform its duties properly or persistently makes default in performing the duties imposed upon it or abuses its powers. The Market Committee is empowered to levy subscription for collection and dissemination of market

information or for the supply of information on any matter relating to crop statistics.

(4) *Progress of Regulation of Markets in the State* :—At present cotton, tobacco, gingelly, cocoanut, groundnut and arecanut are declared as commercial crops under the Madras Commercial Crops Act, 1933. Out of 13 markets regulated 8 are in the South Arcot District and are working under the control of the South Arcot Market Committee, Cuddalore. The Progress of regulation of markets for commercial crops in the State is hampered as a result of the opposition to the enforcement of the Act from the vested interests viz. the traders. The validity of certain specific provisions in the Act viz. (i) power of the Collector to refuse to grant licence at his discretion, (ii) compulsory registration of buyers and sellers for the purpose of carrying on business in the notified area, (iii) competency of a market committee to levy a tax has been challenged in the Civil Courts and the Act is being amended to bring it into line with the provisions of the Indian Constitution. There were 7 market committees at the close of the year 1954 which had set up 13 regulated markets in the State. Out of these 13 regulated markets it has already been stated that 8 are in the South Arcot District working under the South Arcot Market Committee, Cuddalore. The North Arcot Market Committee commenced functioning from 12-10-1953. Of the 7 market committees 5 had to face difficulties on account of legal disputes with the result that their efficiency has been seriously impaired. Practically work of, 3 out of these 5 market committees has come to a stand-still. It is only the South Arcot Market Committee that has been working successfully with 8 regulated markets at different centres. It is, therefore, proposed to describe the working of this Committee in the following paragraphs.

Area and Yield

The benefits of regulated markets are extended under the Act to 25,17,672 acres. Out of 39,86,463 acres under the six notified commercial crops. Details as on 30-6-1954 are furnished below :—

Name of the crop	Total Area in the State	Area covered by the Act	Percentage of area covered	Districts covered
1. Cotton	8,81,050	6,90,791	78.4	1. Coimbatore 2. Tirunelveli 3. Ramanathapuram
2. Groundnut	19,38,172	11,84,152	61	4. South Arcot 1. North Arcot 2. South Arcot 3. Coimbatore 4. Ramanathapuram
3. Gingelly	4,38,457	41,729	9.5	1. South Arcot
4. Cocoa-nut	5,59,367	4,55,709	81.5	1. Malabar 2. South Canara
5. Arecanut	1,14,727	1,11,682	97.8	1. Malabar 2. South Arcot
6. Tobacco	54,690	33,609	61.5	1. Coimbatore

(5) *The South Arcot Market Committee, Cuddalore*.:—Was established on 1st April, 1939. Its area extends to the revenue district of South Arcot comprising 8 talukas. Its Headquarters are at Cuddalore. The commodities regulated are groundnut, cotton, and gingelly. There are at present 8 regulated markets operating in South Arcot District at 8 important assembling centres, viz.—Vradhachalam, Villipuram, Tindivanam, Panurathi Cuddalore, Chinnasalam, Ullundurpet, Tirukoilur. The total quantity of groundnut kernels handled during 1954 was 64,070 tons as against 41,320 tons in 1943. The South Arcot District accounts for nearly 20% of the total groundnut area in the State, the annual total production of groundnut kernels being estimated at 1,05,000 tons. Out of the total production about 15 to 20 thousand tons are reserved for seed purposes and local consumption and the rest comes to the market for sale. About 20 thousand tons come for sale from the neighbouring districts of North Arcot, Salem, Tiruchirapalli, and Chengleput. About 80 to 90% marketable surplus is sold in the regulated markets. Cotton and gingelly were brought under the purview of the Act only towards the close of 1953 and the arrivals of these crops do not compare favourably with groundnut though quantities are appreciable. Quantities of arrivals of gingelly and cotton were respectively 18,361 tons and 1,042 tons. The Madras Commercial Crops Markets Act was made applicable to groundnut in the beginning the marketable surplus being estimated about 80,00,000 tons of kernels annually.

Before the application of the Act, cultivators were dependent entirely on the middlemen for the disposal of their produce. The marketable surplus had to pass through many intermediaries such as the village trader, the petty shop keeper, oil mills, speculators, merchants and exporters, who indulged in a number of malpractices ; the use of volume measures by village traders and petty shop keepers, the use of unstamped french weights, fraudulent weighment of produce in the market, unauthorised deductions for moisture, refraction, charity, brokerage, commission, charges for weighment, absence of any agency to keep the malpractices in check, necessitated regulation and reform in the sale and purchase of groundnuts. Before the introduction of the regulated market the rate of commission ranged between 0-1-6 to As. 4 per candy which has now been reduced. The taking of free sample has been stopped and all samples are returnable to the seller. All traders used to collect an allowance of 1 pie per bag from the sellers. This has also now been stopped. Volume measures have been prohibited. There was no agency in the past to check the accuracy of weights and only licensed weighmen at present wearing distinguishing badges are permitted to weigh the produce. It has been estimated that before the introduction of the regulated market unauthorised deductions alone amounted to a Re. 1 per bag of two maunds. After regulation sales are prescribed to be effected by auction within the market yard. Prompt payment of the value of the produce to sellers is also insisted in the market yard. Disputes arising, if any, are settled by arbitration. A useful market news service has also been instituted. A weekly statement showing market conditions for groundnut is also issued. Propaganda is made for improving the quality of groundnuts. Decortication of groundnuts by machine instead of by hand-breaking is also advocated. Efforts have also been directed to enforce suitable standards of quality and the committee has adopted the All-India Standard Contract. Even when regulated markets have started functioning, the traders adopted back-door methods and prevailed upon their customer-sellers to desist from going to these markets. This they did by offering them loans, gunnies to bring the produce to the market ; they gave tips for mid-day-meals and offered other temptations. But once the cultivators come to realize the benefits of regulated markets all their

attempts to wean the cultivators away from these markets proved abortive. As a result of the unjust deductions and irritational trade practices before the regulation of markets the cultivator in this part of the country used to get only 9 As. in a rupee paid by the ultimate consumer. By rationalisation of market practices and abolition of unauthorised deductions, the regulated markets ensure a fair price to the producer. Unlike in other up-country markets the system of selling kernels instead of unshelled groundnut is prevalent in the district of South Arcot.

(b) *The closed bid auction*:—Producers themselves bring the groundnut for sale to the regulated market. Sellers are advised to clean it, if necessary. The clean produce is weighed by the licensed weighmen. The weight is recorded by yard Mistry in the employ of the committee in a weighment Chitta bearing a machine number. The seller signs the Chitta immediately the weight is recorded. The entire produce of a lot is then mixed up and rebagged in B twil gunnies supplied by the committee and tokens are given for each of the lots. The packed goods with their lot numbers are then exhibited for sale in the transaction sheds of the committee in a properly arranged manner. The first bid is normally conducted at 10 or 10-30 a.m. in the morning. The bidders begin to pour in as early as 8-30 or 9; after examining each lot they offer their prices for them in special bid chits supplied by the committee. What one merchant or bidder has quoted will not be known to others and these bid chits are then deposited in a sealed box which is kept in the Superintendent's office. A priority list is also put up near the box which each bidder has to sign in order to know his priority number. Some of the bidders are owners of power crushers or the ghani oil millers, or vanaspati manufacturers, and all of them tender their bids for the particular lots in which they are interested. At the exact time of closing the auction a bell is rung and the bid chits are then taken out of the box and compared by the Superintendent of the regulated market with a view to ascertaining the prices quoted by different bidders and the highest bid for each lot is taken for consideration. The lots are then declared to the highest bidders after getting the consent of the sellers. If the grower wishes to await a better price the lot is removed from the day's transactions and it is again auctioned in a similar way

in the succeeding days. In case of a tie between two or more bidders for the same lot giving the highest bids the bidder who tenders his price earlier is given the lot. After the bids have been declared and the sellers' acceptance taken the weighment chittas are then completed by noting on them the buyers' name, rate at which the produce is sold, and the total amount. Two copies of the chittas are handed over to the seller, and the buyer takes the original copy and after checking the price and amount due to the seller the buyer pays the value to the seller after taking his acquittance. The seller receives payment either on the spot or at the buyer's office if it is close by. The bags are then delivered to the buyers. Handling charges and levy of fees are collected from the buyers and if any lot remains unsold the weighment charge is collected from the seller. The amount so collected is paid by the committee mazdoors or hamals who did the weighment. The closed bid tender system has been reported to have been working very successfully. As compared with the open crying system of auction it is a quick and a time saving device. In the crying system it will take at least 2 to 3 minutes to dispose of each lot and in the full season when there are many lots to be disposed of it may not be possible to complete the days' transactions by this method. The main characteristic feature of the closed bid system is that it lacks the excitement of the open auction system which strains the vocal chords of the auctioneer too much. Besides the system assures a fair deal to the buyers as well as to the sellers and avoids the cut-throat competition among the buyers. Combination among buyers is generally not possible as the purchasers of the produce represent diverse interests. Even if some unholy combination takes place on rare occasions, the superintendent of the market is empowered to cancel such auctions and certainly the final consent of the grower for parting with the produce at a particular price acts as a check to any extraordinary circumstances arising. In the closed bid system the purchaser is always anxious to tender his maximum price as he is likely to lose his stuff if he underbids. As the declaration of the bids is made in the presence of all the growers and the buyers it injects a sense of security into the minds of illiterate growers. The system of closed bid auction is now being increasingly adopted with some suitable variations by commission agents as well as by marketing co-operatives. This

is a proof of its utility and the increasing quantities of arrivals in the regulated markets also speak for the popularity of the system adopted. The following table shows the quantities of arrivals of groundnut kernels in the 8 regulated markets under the South Arcot Market Committee for a period of five years ending 1954. (*Vide* table attached). (*See next page*).

The bidders at the regulated markets who are mill owners base their quotations on the prices ruling in the Madras markets. The prices quoted by the bidders are final and no disputes have arisen so far in that regard.

(d) *Standardized weights* :—In all licensed premises the weighing is done with the weights standardized by the committee at 177 lbs. net per bag and 531 lbs. per candy. The weights and scales are subject to inspection by the Secretary or any other employee of the committee not below the rank of a Supervisor. For the purpose of checking weights, each regulated market is provided with a set of Master Weights which are checked and stamped every year with the help of highly sensitive balance and brass weights kept at the headquarters. The private traders are also advised to take their weights annually to the markets for checking and stamping by the Secretary. On an average it is estimated that about 2,500 weights are stamped every year and persons in possession of unstamped weights in licensed markets are liable to be prosecuted. All weighmen are licensed by the committee and they are all independent men. The system of independent weighmen doing their work without fear or favour is also one of the features of the working of this market. The handling charges as already mentioned are received from the purchasers and paid to the mazdoors working under the weighmen.

(e) *Fees payable to the market functionaries* :—Commission and brokerage are the two authorised allowances permitted to be paid to the functionaries operating in the market. All other trade allowances are stopped after the regulation of the market as already mentioned. The following is the scale of commission and brokerage.

**ARRIVALS IN REGULATED MARKETS AND THEIR PERCENTAGE TO TOTAL ARRIVALS IN
A PARTICULAR CENTRE**

Tons of Kernels

Year	Vridhachalam			Triru-Koilur			Villupuram			Tindivanam			Panruti			Cuddalore			Chinnasalem			Ulundurpet			Re-
	Yard	Per-	arri-	Yard	Per-	arri-	Yard	Per-	arri-	Yard	Per-	arri-	Yard	Per-	arri-	Yard	Per-	arri-	Yard	Per-	arri-	Yard	Per-	cent-	Marks
	vals	age	vals	vals	age	vals	vals	age	vals	vals	age	vals	vals	age	vals	vals	age	vals	vals	age	vals	vals	age	vals	tags
1950	17,453	96.4	6,871	72.9	10,05	88.8	5,062	60.6	2,566	92.4	4,229	94.9	1,306	89.0	1,087	48.5									
1951	15,377	97.5	5,918	75.9	10,105	93.7	7,327	59.8	2,930	90.9	5,687	96.6	1,313	94.9	819	54.5									
1952	12,250	94.3	4,344	52.7	9,489	96.6	5,737	75.8	3,641	95.7	5,525	97.3	207	68.8	468	61.6									
1953	6,235	98.9	4,446	90.3	13,040	97.2	6,892	—72.2—	5,030	98.7	4,713	97.7	674	89.0	300	84.0									
1954	11,500	99.6	8,947	90.7	17,330	95.5	9914	89.5	8149	96.8	7938	97.5	1445	93.8	392	100.0									

(Source of information:—Vol. XXI—Issue No. 6—The Indian Co-operative Review—pp. 377)
Administrative Report on the Working of the Committee of 1954

REGULATED MARKETS IN INDIA

(1) Commission :—

- (1) Cotton lint, Kapas at 0-12-0 per cent of value (Pothi of Kapas 280 lbs.)
- (2) Gingelly seeds 1 bag 0-2-0
- (3) Groundnut pods 1 bag 0-1-0
- (4) Groundnut kernels 1 bag 0-2-0

(2) Brokerage :—

- (1) Cotton or Kapas lint Potthi of 392 lbs. at 0-6-0 per cent of value.
- (2) Gingelly seeds per bag 0-0-6
- (3) Groundnut pods per bag 0-0-3
- (4) Groundnut kernels per bag 0-0-9

(5) *Finances of the Committee* :—The income of the market committee is derived from the following sources :—

- (1) Cess on the purchase of groundnut kernels in the area of market at a nominal rate of 0-1-6 per bag.
- (2) Licence fee for trading in all premises in the notified area.
- (3) Weigman and Broker Licence Fees.
- (4) Miscellaneous items of income such as ware and tare charges in case of gunnies, sale proceeds of yard sweepings and cattle manure and road sweepings.

The total income of the committee during the year 1953-54 including interest on public account and fines imposed by the magistrates and awarded to the committee was about Rs. 2,17,000 and odd and the total expenses amounted to 2,01,000. The assets of the committee were estimated at Rs. 7,80,000. The levy of fees is made from the purchasers. Each market has one Superintendent, 2 Supervisors and other clerical and inferior staff. The Supervisors are incharge of the market area excepting three miles from the market yard. The Secretary of the market committee who is a Government servant (Shri Natesan) is paid a deputation allowance by the market committee. The other servants of the market committee are employed by the market committee. The calender year is the official year of the committee.

Constitution of the Committee

The committee consists of 12 persons of whom 3 are representatives of traders, 4 are representatives of growers, 2 are nominees of Government and 1 is an ex-officio member, who is the District Agricultural Officer. The Secretary of the committee enjoys the status of the District Agricultural Officer and is appointed by Government. The Present Chairman of the market committee is reported to be an agriculturist and has been working as such for the last 13 to 15 years.

Amenities provided in the Regulated Markets

There were 8 regulated markets set up by the Committee during the year 1954 and one more is said to have been added to the number recently. Of the 8 regulated markets 5 are said to be located in the buildings of the Committee itself at Cuddalore. It is only in Tindivanam and Villipuram certain amenities are provided. The Tindivanam market was established on 12th December, 1939. The market yard is surrounded by a wall built of stone. There is a godown and a small office. In front of the godown there is a drying space made of cement concrete, and water facilities are provided in the yard. Villipuram is a bigger market than Tindivanam. The area of the market yard is about 8 acres. There are two godowns and a small office building. There is also a rest house and water troughs are provided. The yard is fenced by stone wall. The weightment and delivery of agricultural produce and payment of sale proceeds are done on the market yard. A noteworthy feature of this regulated market is that competition in regard to quality test of groundnut is held by the market committee. Agriculturist-producers who bring best quality products are given prizes ; while deciding about the quality, foreign matter, broken kernels, nooks, driage, are taken into consideration.

Market Intelligence and other activities of the Committee

The committee publishes a weekly report showing the market conditions and quantities marketed in each regulated market, the highest, the lowest and the average prices prevailing in the markets. quantities despatched and consumed internally, condition

of the standing crops, a forecast in the price variations and arrivals during the ensuing week. Daily notes containing information about quantities marketed in each regulated market, prices, etc. are exchanged by Market Superintendents and these are put up on the notice boards for the information of buyers and sellers.

Structure of the Marketing Section in the Madras State

A brief reference to the administrative set-up of the Marketing Section in the Madras State has already been made in part I of this chapter. As already mentioned the Marketing section is attached to the Department of Agriculture in Madras. The Director of Agriculture is the ultimate authority for the administration of the Madras Commercial Crops Markets Act, 1933. The functions of the State Marketing Officer are :—

1. To administer the Madras Commercial Crops Act subject to the control of the Director of Agriculture.
2. To undertake surveys of commodities in accordance with the programme chalked out by the Agricultural Marketing Adviser to the Govt. of India.
3. To undertake the grading of commodities.
4. To undertake the dissemination of market information.
5. To tackle problems relating to warehousing and Storage.
6. To tackle transport problems.
7. To undertake the collection of prices and supply of information in regard thereto to other departments of Government.

The State Marketing Officer is at present assisted by two Assistant Marketing Officers in the residuary State of Madras. The bye-laws of the market committee and the amendments therein are approved by the Director of Agriculture. The State Marketing officer looks to other administrative matters.

PART IV

Working of Regulated Markets in Hyderabad State

1. *Review of Market Legislation in the State*:—Hyderabad was the first State to pass the Agricultural Markets

Act in the year 1930 in order to provide for the establishment of open markets for the purchase and sale of cotton and other agricultural produce and livestock, and for the better regulation of such markets. The salient features of the Act and the Rules framed thereunder are briefly summarized as follows :—

The Government by a Notification in the Official Gazette, declares a place as a market either for cotton or for agricultural produce or both. The market area is about five miles round the centre of the market yard, as notified by Government. The market area is made up of market yard and market proper. At the District headquarters, the area of the market is usually limited to five miles round the Collector's Office and the market yard is limited to municipal limits. The market yard means enclosure or land reserved for cotton dealings or dealings in agricultural produce and is ordinarily limited to the municipal limits of the place where the market is established. Market proper is the rest of the area notified under Section 3 of the Act which is not included in the market yard. It includes any ginning and pressing factories and their compounds within that area and any place where weighment of agricultural produce or cotton is made. In the market proper no purchases or sales are allowed. Beyond the market proper and within the market area, sales are permitted by licensing petty dealers. The Market Committee exercises no control over the purchase and sale of agricultural produce beyond the market area.

2. *Establishment of a Market Committee* :—Government establishes a Market Committee for every market. The Committee consists of not more than 15 persons. In actual practice and as prescribed in Rule 3, the Market Committee Consists of twelve persons, of whom one is nominated by Government. He is either a Collector or a Prant Officer or a Mamlatdar. Of the Total number of members of the Market Committee, not less than half are persons nominated by the Collector of the District with the approval of the Secretary to Government in the Marketing Department, from among the growers of agricultural produce in the area served by the market. But the persons so nominated should not be dealers in agricultural produce or cotton and no person may be nominated who is not a holder of agricultural land. Four persons are jointly elected by the traders and one person is

elected by the members of the local Municipality. In a place where no Municipal or Local Body exists such a person may be nominated by the Collector with the approval of the Secretary to Government in the Marketing Department. The Chairman is elected by the Committee from amongst their members subject to the approval of the Secretary to Government in the Marketing Department. It may be noted that in spite of this, in actual practice, the Revenue Officer is the Chairman of the Committee. If the Market Committee happens to be at the headquarters of the Collector, he will be its Chairman. But if it is located at the Headquarters of the Prant Officer, the Prant Officer will be its Chairman and the Mamlatdar will be the Chairman, if it is located at the headquarters of the Tahsil. The first Committee, after the establishment of a Market will be nominated by the Collector except the Government Nominee. During recent years, a tendency is noticeable to elect a non-official as the Chairman. There are at present seven markets which have, as Chairman, a non-official. The election of the representatives of the Traders on a Market Committee is conducted by the Revenue authorities. The Nominated Committee holds office for a period of one year.

3. *Functions of the Committee* :—The Market Committee is a Body corporate and has a perpetual succession and a common seal. It can sue and be sued in its own name and can hold both moveable and immoveable property, borrow loans etc. It frames its own bye-laws, fixes the handling charges payable to the various market functionaries operating in the market and defines local market practices. The bye-laws of a Market Committee are approved by the Secretary, Reconstruction Department. The rates of levy and handling charges have to be approved by the Secretary to Government in the Marketing Department. A Market Committee has the authority to issue and cancel licences of market functionaries, to call for daily, weekly or monthly or any other periodical return relating to arrivals, prices and stock of produce or any other accounts from the licensed traders. Further, it is empowered to check weighments, weights and scales or any other appliance handled by the market functionaries. It is also authorised to scrutinize Tak-Patties or Sale Slips issued by the Adatyas or Commission Agents. The powers of the Committee are to be

exercised subject to the orders of Government or such other authority as may be prescribed by Government. The Committee has also the power to delegate any of its functions to a Sub-Committee or a Joint Committee.

4. *Collection of Cess* :—As per Rules, cess can be levied either according to the mode of transport or of value of produce. In the former case, a maximum fee of Re. 1 per each vehicle can be levied. In the latter case, the market fee is levied at a maximum rate of As. 4 for every hundred rupees worth of produce. In actual practice, as at present, cess is levied on an ad valorem basis at the rate of As. 4 per every hundred rupees worth of agricultural produce, coming into the market-yard either for storage or for immediate sale. The bulk of the income of a Market Committee is derived from this source. The budgets of income and expenditure of Market Committees are approved by the Secretary to Government in the Marketing Department. The traders are registered but the brokers and weighmen are licensed. A very small amount of licence fee is recovered from this source. The rates of commission charged by the Adatyas are approved subject to the approval by the Secretary to Government in the Marketing Department. The rate of Adat or Commission does not usually exceed Rs. 2/- per Rs. 100 worth of produce. But in most cases the rate is Rs. 1-9 per cent. The amount of commission is recoverable from the sellers only. The weighmen are paid by the Commission Agents out of their own commission, as they are practically employed by the Commission Agents themselves. The rate of hamali to be paid to the hamals is fixed by the Market Committee.

5. *Prohibition to trade without registration or licence* :—No person is permitted to sell or buy cotton or any other agricultural produce within the market unless he is registered as a Trader and such registration is in force. On contravention of this condition, a person is liable to be removed from the Register by the Committee. In case any dispute arises regarding the removal of any person, it has to be decided by the Collector and his decision is subject to an appeal to the Secretary, Marketing Department. All weighments and measurements are required to be made by licensees or employees within the Market-yard or

in the compound of the Ginning Factory (within the Market proper) or in the places provided by the Committee under the supervision of the Committee or its Agents employed for the purpose. Weights and measures or scales prescribed by the Committee only are to be used. The Committee prescribes the customary allowances or deductions from the value of the produce and publishes the same in the local language which is easily understood by the sellers by exhibiting on the Notice-board in the compound of the market-yard. All agricultural produce brought for sale is sold by public auction in the market-yard and if sold outside the market-yard, it will be at the market rate of the day. The daily rates, when fixed, are exhibited in the vernacular languages in a conspicuous place in the market-yard. Before produce sold can be delivered, it is incumbent on the purchaser or his Adaya to issue a Tak-Patti or a Sale Memo. No person can act as a functionary in the market unless he is licensed by the Committee and such licences are renewable annually on payment of prescribed fee. Every licensed weighman has to wear a badge provided by the Committee. The Committee maintains a list of registered traders, and licensed brokers, measurers, weighmen and warehousemen. And this list also is exhibited on the notice board, and the fees payable to the market functionaries for their services are also fixed by the Market Committee. When the Secretary to Government, Marketing Department, considers that the financial resources of a Market Committee are adequate for the purpose, the Market Committee concerned is required to erect one or more weigh-bridges for weighing agricultural produce according to a scale of fees prescribed. When the Market Committee wishes to construct any ameliorative works, it will have to do so after obtaining prior sanction from the Secretary to Government in the Reconstruction Department. The Committee is under obligation to maintain proper accounts in regard to all moneys received and to prepare an annual budget of income and expenditure and submit the same for sanction by the Secretary to Government in the Marketing Department. Penalties are also prescribed for transgressing any of the provisions of the Act, Rules and Bye-laws. The Committee exercises the powers vested in it subject to the general control of the Secretary, Marketing Department and guidance of the Chief Marketing Officer.

6. *Constitution of Central Marketing Fund* :—A noteworthy feature of the working of regulated markets in the State is that the Marketing Department recovers 40 per cent of the income of the Marketing Committees under the administrative orders of Government and pools the same. The Fund so pooled is utilized in payment of salaries of the Secretaries or Superintendents of Markets, Assistant Chief Marketing Officers and Auditors, and of the Engineer which are working under the non-Government Section of the Department. Grants are also given out of this Fund to the Market Committees for provision of amenities in the market-yards, such as construction of godowns, canteens, rest-houses, cattle-sheds, ryot-sheds, water-troughs etc. Expenditure in connection with publicity and propaganda and collection of statistical information is also met out of this Fund. The Fund is administered by the Chief Marketing Officer, Hyderabad, subject to the general control of Government. The amount in the Fund stood at Rs. 26,58,196/- on 1-4-1955.

7. *Service under the Market Committee* :—The Superintendents of Market Committee are appointed by Government and their salaries, the terms of service, promotions, dismissals etc. are subject to the orders of Government. The Superintendents are transferrable throughout the State. Other employees of the Market Committees are paid out of the funds of the marketing committee. Though the Committee is competent to appoint other members of the staff required by it, in actual practice, the Chief Marketing Officer appoints them. The Superintendent working under a Market Committee is reported to be a powerful person, because of the security of tenure and because of the fact that he is working under the administrative control of the Chief Marketing Officer. He is the right-hand man of the Chief Marketing Officer and settles all ordinary disputes and takes decisions on the spot.

8. *Working of the Marketing Department in the State* :—A brief reference to the administrative set-up of the Marketing Department of the State has already been made in Part I of this Chapter. The Marketing Department in the State is a well-developed and organized unit, and it is proposed, therefore, to treat it in greater details here. The Marketing Department in the Hyderabad State is working on an independent footing, unlike in

other States. The Head of the Department is the Chief Marketing Officer, who exercises administrative powers with the approval of the Government. He is also assisted by the Revenue Department. The Officers of the Revenue Department, i.e., the Collector, the Prant Officers, the Mamlatdars, work as Chairmen of the Market Committees, if they are at the headquarters of the Market Committees. It is the Collector who nominates the representatives of the agriculturists on a Market Committee. The Marketing Department consists mainly of two divisions, viz., the Government Section and the Non-Government Section. The Government Section is again Sub-divided into Survey and Regional Sections. Similarly, the non-Government Section is sub-divided into four branches, viz., the Audit Section, the Engineering Section, the Assistant Chief Marketing Officers and the Market Superintendents attached to Market Committees, but transferable throughout the State.

(a) *Government Section* :—The Chief Marketing Officer continues to be the Head of the Department, and he administers the Act and the Rules with the help of the Revenue Department, subject to the general control of the Secretary to Government in the Marketing Department. He is assisted in the districts by two Regional Marketing Officers, who are of gazetted, rank and four Assistant Marketing Officers, who are non-gazetted officers. There is also a gazetted officer in charge of Survey Section. The establishment of each of the Assistant Chief Marketing Officers consists of one Senior Auditor, one Junior Auditor, two third-grade clerks, two peons and one farash. There is also a large staff belonging to non-Government section who are paid out of the Central Marketing Fund. The following officers at the Head Office are also paid out of the Central Marketing Fund :—

(a) Audit Officer and his staff.

(b) Engineer and his staff.

(c) Assistant Chief Marketing Officer for Publicity and Statistics and his staff.

The Officers in the Districts who are paid out of the Central Fund are mentioned below :—

- (a) Assistant Chief Marketing Officer, Aurangabad Circle and his staff.
- (b) Assistant C.M.O., Medak Circle and his staff.
- (c) Assistant C.M.O., Gulburga Circle and his staff.
- (d) Assistant C.M.O., Warangal Circle and his staff.

In addition; certain City Markets which are directly under the supervision of the Head Office are administered by staff consisting of one Key Superintendent, one Junior Marketing Superintendent and one Assistant Marketing Superintendent. In the Districts, the four Assistant Chief Marketing Officers function as Liaison Officers between the Regulated Markets and the Chief Marketing Officer. Each of the four Assistant C.M.Os. has in his charge about 20 Regulated Markets.

(b) *Audit Section* :—As already mentioned above, the establishment of each Assistant C.M.O. consists of one Senior Auditor, one Junior Auditor and two third-grade clerks. These Auditors not only audit the accounts of the Market Committees, but also check up Tak-Pattis (Sale Memos), inspect the accounts of the traders, general commission agents etc. There were 28 Superintendents of Markets, 27 Junior Market Superintendents, and 21 Assistant Market Superintendents, all belonging to the Central Fund Organization, and are paid out of the funds of that Organization. The Senior Market Superintendents are in charge of big Regulated Markets, while the Junior ones are in charge of smaller Markets. They are transferable throughout the State and are controlled entirely by the Chief Marketing Officer, in whose hands the administration of Regulation Markets is centralized. The C.M.O. is also provided with a van for undertaking propaganda and publicity work. The van is purchased out of the finds belonging to the Central Fund Organization.

(c) *The Survey Section* :—This Section is manned by a Senior Marketing Officer in Class II of the Hyderabad Civil Service. He is assisted by three non-gazetted Assistant Marketing Officers. Besides conducting surveys and guiding the three Assistant Marketing Officers in survey matters, the Senior Marketing Officer is also in charge of the Establishment and Miscellaneous Section of the Government Branch.

(d) *The Engineering Section*.—During the year 1954, an Engineering Section was added consisting of one Engineer of the status of a gazetted officer in Class II of the Hyderabad Civil Service and he is assisted by two Sub-Overseers and one Tracer. The object in creating this Section is to expedite the constructional works undertaken by Regulated Markets.

(e) *Market Superintendents*.—Market Superintendents are the executive officers of the Market Committees, who supervise the day-to-day transactions and see to it that the market functionaries abide by the Act, Rules and Bye-laws framed under the Act. They work as Secretaries to the Market Committees. A chart showing the present structure of the Marketing Department and the Central Fund Organization both at the headquarters and in the Districts is appended at the end of this Part.

General Lines of Working of Regulated Markets in the State

1. *The Market Committee*.—The composition of the Market Committee has already been alluded to. The Government nominee on the Committee is generally the Collector or the Deputy Collector or the Mamlatdar or Tahsildar, according to the location of the Committee. Though the Chairman of the Committee is to be elected from among the members, subject to the approval of Government, in actual practice, the Revenue Officer is the Chairman of the Market Committee. As already mentioned, either the Collector or the Prant Officer or the Mamlatdar becomes the Chairman of the Committee according to its location. The tenure of the Committee is two years followed successively at the end of each term by a fresh Committee. The functions of the Committee have already been set forth. The Market Committee appoints its own employees consisting of clerical staff, Kamgars and Peons, except the Market Superintendent, whose appointment is subject to the confirmation by the Secretary to Government in the Marketing Department. The duties of the employees under a Market Committee are to collect and record trade statistics obtained from various sources to maintain accounts relating to collections and disbursements of the Committee's funds and to supervise the day-to-day transactions in the Market.

2. *Collection of Cess* :—Prior to 1947, the system of collecting market fees was on vehicular basis and the rate of levy ranged between 6 pies and 2 annas per cent in almost all the Markets. It was collected through the contractors who harassed the cultivators selling their produce. In 1947, the Marketing Department introduced the system of collecting marketing fees on ad valorem basis at the rate of 4 annas per cent uniformly in all the markets, replacing vehicular basis. The bulk of the income of the Committee is derived from this source. The budgets of income and expenditure of the Market Committees are approved by the Secretary to Government in the Marketing Department. The traders are registered; the brokers and weighmen are licensed. A very small amount of licence fees is in this way received. The rate of commission charges to be recovered by the Adayas has to be approved by the Secretary to Government in the Marketing Department. Usually the maximum rate that is levied does not exceed Rs. 2 for every hundred rupees worth of produce, and it is recovered from the sellers only. The weighman is paid by the Commission Agent out of his own commission. The weighmen are practically the employees of the Commission Agents. The rates of Hamali to be paid to the Hamals is fixed by the Market Committee.

3. *Arrivals in the Markets* :—The arrivals of agricultural produce into the Regulated markets fall into three categories: (i) Produce brought by the grower himself, (ii) produce brought by the village merchant and (iii) produce brought by the village traders or merchants under Jethi or Laoni system of purchasing. Before the application of the Markets Act, the proportion of arrivals of produce brought by the producer himself varied from 20 to 60 per cent, barring a few exceptions, where the percentage of arrivals was higher. After regulation of the Markets, this proportion has gone up to nearly 90 per cent. As regards produce brought by the village merchants, the proportion was 60 per cent and above before regulation, as the village merchants played an active role in the sale of commodities. In the Peddapally Market, enquiries have shown that nearly 50 per cent of the produce arriving in the Market was through village merchants. In regard to produce falling under category No. (iii), the buyer under Jethi or Laoni system of purchases in the villages enters into an agreement

with the producer and offers to purchase all his produce after the harvest at a fixed price. He also makes advances to the producer by way of a loan. The producer takes the produce to the buyer's place or the buyer goes to the grower's village for getting the produce as per agreement. The percentage of arrivals under the Jethi or Laoni system was found to be on par with the amounts of purchases made by the village merchants. With the introduction of the Markets Act, the quantities of arrivals through the village merchants under the Jethi or Laoni system have dwindled considerably, although the system was still lingering in some of the Markets. The establishment of Marketing Co-operatives in the areas served by the Regulated Markets and the construction of approach roads to the Regulated Markets would enable the cultivators to market their own produce through their own co-operative organizations instead of through merchant-middlemen.

4. *Methods of Sale* :—The following methods of sale are in practice in the Regulated Markets :—

- (1) Open heap system.
- (2) Open cart system.
- (3) Sample system.
- (4) Blockwise system.
- (5) Fardi system.

(1) *Open Heap System* :—According to this system, all the produce arriving for sale in the market is arranged in heaps in front of the Adatya's shops or on a specified platform and auctioned. The buyers, after examining the produce, offer their own price, and the produce is thereafter sold to the highest bidder if the seller agrees. This system has been found to work well in the case of grains, pulses, til, onion, chillies, tamarind, which arrive in a few scores of carts in the market. In the absence of grading, this appears to be the best method. As soon as the auction is over, the weighing of the heaps starts on the same spot.

(2) *Open Cart System* :—There is not much difference between the open heap system and the open cart system. In the former the produce is heaped in front of the Adatya's shop, while

in the latter, the produce is kept for examination in the cart itself by opening the mouths of the bags. This system is prevalent in a few markets in the State and is found to be rather defective, because the purchaser is not in a position to examine the quality of the entire produce in the bag from the bottom to the top and he has to rest content with an examination of the produce on the surface only and as such, there are chances of differences in the quality of produce occurring, varying from the surface to the bottom, ultimately resulting in disputes as to quality of the produce sold. Thus the system leads to a demand of reduction in price on the ground of inferiority in quality of the produce sold.

(3) *Sale on the Basis of Sample* :—Under this system, small quantities of produce are exhibited by way of samples. These samples are taken out by the Adatyas themselves from the producers' carts. The buyers, after examining the samples, offer their prices and whoever bids the highest, gets the produce. This system is generally prevalent in Telangana Markets, and in some of the Markets of Marathwada and Karnatak Regions. In view of the very heavy arrivals of commodities like groundnuts, during the full season, the two previous systems of sale were found to be unsuitable and the system of sale by sample was encouraged by the Marketing Department. A sort of uniformity in the method of sale by sample was also sought to be introduced by making the Adatyas themselves solely responsible for exhibition of correct and genuine quality products. Still, however, the system is defective in that it leads to disputes between buyers and sellers on the ground that the bulk of produce does not conform to the sample, and resulting in most of the cases in a reduction of the price, affecting the interests of the cultivator-seller.

(4) *Blockwise System* :—The Market Committee under this system conducts auction sales of commodities like cotton and groundnut offered by the Adatyas in their shops by dividing them into a number of equal blocks before the assembly of the prospective buyers who gather daily at the prescribed hour in the sale-hall of the Market Office. The buyers who are supposed to have examined the different qualities of produce kept for sale in each of the Adatya's shop give their limits as to price in the

open auction blockwise. For example, the auction commences with Block No. 1 on a particular day and continues up to Block No. 15, leaving the Block No. 16 to be sold to retailers or other buyers at the bidding rate of the day. The auction of one block heapwise gives opportunity to small buyers or traders to purchase the commodities. The next day the auction commences with Block No. 2 and continues up to Block No. 16, leaving Block No. 1 to be sold heapwise in each Adatya's shop. Thus the auction is carried on with blocks in rotation. The highest bidder of a particular block will get all the produce at one declared price (irrespective of the qualities offered therein). This system is prevalent in Raichur Market and has its own drawbacks. The purchaser is presumed to have seen the produce but it is not possible for a man to have taken stock of all the qualities of the huge arrivals of the day. Again, the variation in price to the extent of Re. 1 per palla is allowed for the various blocks for difference in quality of the produce. In case this margin is increased, the highest bidders of the other fourteen blocks should give the same highest price-bid on the day or to leave the Adatyas to seek other buyers for their produce.

(5) *Fardi System*.:—The sale of agricultural commodities like kapas, groundnut and linseed is effected on the basis of what is known as 'the Fardi system' in most of the markets situated in the western half of the State. During the first three months of the season, kapas, groundnut and linseed arrive in thousands of carts, and have, therefore, created a problem for Markets like Raichur, Latur, Jalna, Parabhani, etc. The Market Committees are required to see that all the arrivals are disposed of as quickly as possible and that cultivators get fair and uniform prices. It is not possible to dispose of these commodities in the course of auctions based on the individual seller's lots. The Market Committees have, therefore, devised the means of quicker disposal by dividing the Adatyas into six different groups for the purpose of sale of the huge quantities of arrivals of their clients on six days of the week collectively at a declared price of the day. The rate of the day for any quality of product is also assumed to operate if the quality is more or less uniform except in the case of cotton which is of the last picking, for which prices are agreed upon mutually between the Adatya and the buyer with the consent of the

seller. The Market Committees have, therefore, sorted the Adatyas of cotton, groundnut and linseed into six equitable groups, each sharing to offer approximately one-sixth portion of the weekly sales. These groups are called the 'Farads' of the day and the system under which the sales of cotton, groundnut and linseed take place is called the 'Fardi System'. These six Farads take their turn of sale by rotation. The auction, according to this system, is done in the absence of the commodity. Everyday the total arrivals of one group fixed for the day is put to auction in the bidding hall of the Market Committee and the prospective buyers who are presumed to have examined the produce as to its quality in the Adatya's shops would give their offer. The highest bidder will get the produce of one group and shall not refuse the offer of the Farad of the day. The Adatyas of the remaining groups have to sell at the rate-bid of the day to any buyer of their choice. In the absence of any other buyer, the Adatyas offer their names to be entered on the Fardi auction and the highest bidder of the day has to purchase the whole lot. One or two or even more buyers combine together for this purpose and purchase the lot in the name of one person. It may be noted that the Farads of the day may offer their produce to the buyers other than the highest bidder of the day, provided the price-limits of the former shall not exceed the one declared by the highest bidder. This system has its own merits according to local conditions, in so far as it has quickened the sales of heavy arrivals of crops which would not be possible under the system of sale of individual lots. Originally all the sellers of the Farad commodities were paid equally, irrespective of the quality of the produce but the introduction of improved method, timely supervision over the transactions and prompt decisions taken in case of disputes have made it possible for the sellers to obtain fair returns commensurate with the quality of products. Still, however, the system is not without its defects. Any offers made in the absence of a commodity obviously either lead to disputes or create differences as to quality. Hence the Marketing Department in the State is in favour of the abolition of both the blockwise and the Fardi Systems of sale. It has recommended the replacement by cart-wise open auction system, so as to encourage diff-

erent purchasers to offer the highest possible price and to eliminate the chances of dispute.

5. *Weighment and Delivery*.—Some of the Markets in the State like Nanded, Latur, Aurangabad, Raichur etc., have constructed their own Gunjes or Mandies. Transactions in other markets take place either at the Adatya's or buyer's shops. There are three methods of weighment and delivery in vogue : (a) Weighment in the Market-yard from where the purchaser is required to take produce to his shop or godown at his own expense ; (b) weighment in front of the Adatya's shop from where the purchaser takes the commodity to his shop or godown at his own expense ; (c) auction in the Market-yard and weighment in the purchaser's premises. All carts bringing agricultural products arrive in the Gunj or Monda in all Markets where weighment and delivery take place soon after auction. But carts laden with kapas do not arrive in the market yard but are taken to the factories of purchasers where weighment and delivery are given. The Marketing Department in the State has recommended the abolition of methods (a) and (b), as they result in a series of malpractices for want of sufficient supervision on the part of the Market Committee. While recommending Method No. (3) the Department feels that it is essential that all such transactions should be centralized in the market-yard in the interests of the seller. Most of the weigh-beams in use in the regulated markets are of iron-pans and iron-chains, while a few markets are said to be using wooden pans supported by country ropes. Weights and scales are owned by the Adatyas, while in a few Markets, they are owned by the factory-owners. In order to quicken weighments in the Market-yard, especially during the full swing of the season, installation of weigh-bridges is desirable. In the early stages of the enforcement of the Act, in the Eastern part of the State, Regulated Markets succeeded in licensing persons who were independent of any trader, but in the Western half of the State, Markets licensed weighmen who were mostly employees of traders. Recently, some of the Markets have begun to employ weighmen on a monthly salary basis instead of licensing independent weighmen. This system is better and weighmen, so employed are literate in their regional languages. Before appointment, literacy up to the Middle School

standard is deemed essential, as the weighmen have to record weights and other particulars of the transactions and submit accounts to the Market Committees often.

6. *Trade Allowances* :—Formerly in most of the Markets, the buyers used to claim from the sellers various allowances such as Kadta, quality allowance, trade allowance or any other allowance. The proportion of these allowances has now been considerably reduced. But in a few markets, these allowances are still claimed, particularly in the sale transactions of groundnut, kapas, chillies, castor and tamarind, the rate of allowance being about 2 to 3 per cent of the value of the produce. Barring a few markets, the deductions are made by mutual agreement between buyers and sellers, as the parties prefer to settle among themselves rather than approach the Market Superintendent or any Arbitration Committee when a dispute arises. The several formalities to be gone through discourage the parties to resort to approach either the Market Superintendent or the Arbitration Committee. In order to effectively check or stop these deductions, it is considered advisable that all commodities on arrival should be cleaned and sieved before they are delivered, so that buyers may get genuine quality and sellers fair returns and chances of disputes are thus minimised. In most of the Markets, sieving is done at present for all foodgrains, pulses and oilseeds and groundnut. In nearly 17 markets, sieving has not yet been introduced. It may be necessary, therefore to introduce certain regulations, prohibiting the sale of produce in the Regulated Markets if the produce contains dirt, dust and refraction, exceeding half a seer per each bag. Provision may also be made in the bye-laws of a market committee for sieving at the cost of the seller if the produce contains impurities beyond the tolerance limits prescribed at the instance of the buyer. If the produce contains refraction within the tolerance limits, it is the buyer who should bear the charge of sieving.

7. *Incidental Charges* :—The incidental charges payable by the seller in the regulated markets included commission or adat, which varies from minimum of Re. 1 to Rs. 2 per cent ad valorem. This has now been regulated in most of the markets at Re. 1-9-0 per cent. The charge of hamalage varies up to 4 annas per unit of weight or package. The incidental charges for weigh-

ment vary from 6 pies to 2 annas per unit of weight or package. The other expenses on account of sieving and sweeping range between 6 pies to 2 annas per palla (=120 seers), in respect of the former and between 3 pies to 1 anna per palla in the case of the latter. The Market Committee collects market fees from the sellers at the rate of 4 annas per cent ad valorem uniformly in all the markets. In some of the markets, contributions for charity are also being made by the seller and the buyer at rates varying 6 pies to 4 annas per cent. In addition, the seller has also to pay toll tax to the Municipal Body to the extent of 4 annas per cent. The marketing and incidental charges excepting the Municipal Toll tax works out to Rs. 2-8 to Rs. 3 per cent on an average.

8. *Charity or Dharmada*.:—At present, contributions for charity are shared equally by the buyer and seller of produce but the Market Committees appear to hold the view that all these contributions should be shared equally by adatyas, buyers and sellers and that Gorkashan and other Charitable institutions should work directly under the supervision of the Market Committee.

9. *Disputes*.:—Disputes of various nature occur in the day-to-day transactions of the markets. In most cases where the auction takes place on the basis of samples, disputes arise due to quality differences. The buyer at the time of weighment examines the commodity and demands either reduction in the price quoted or claims extra allowance on the plea that the bulk differs from the sample examined. Disputes are generally settled by the Sub-Committees appointed by the Market Committees from among their members or by Arbitrators appointed by the Market Committees. In some of the Markets, the Market Superintendent settles the disputes. Settlement of disputes by the Sub-Committees is no doubt effective, but disputes arising out of quality differences are required to be settled on the spot and speedily and as such, the Market Superintendent should be empowered to settle the disputes regarding quality differences also.

10. *Propaganda and Publicity*.:—There is a consensus of opinion among the Market Committees that a Publicity and Propaganda Section be established in the Marketing Department, so

that activities of the Department may be popularized through films, pamphlets, exhibitions in Jatras etc.

11. *Amenities Provided in the Market-Yards* :—In most of the Markets where regular Gunjes have been established, amenities such as Ryot sheds, cattle-troughs, cattle sheds, water cisterns, latrines and urinals and auction platforms have been provided.

12. *The Central Marketing Fund* :—The Marketing Department recovers 40 per cent of the income of the markets and pools the same. Out of the funds so pooled, the pay of the Secretaries and Superintendents is disbursed. The salaries of Assistant Chief Marketing Officers, Audit and Engineering staffs are also met out of this Fund. Grants-in-aid are also given to the Market Committees for the construction of godowns, rest-houses etc. Expenditure on publicity, collection of statistical information is also met out of this Fund. The Central Fund opened with a balance of Rs. 13,87,288/-. and during 1954-55 contributions raised from the Market Committees were Rs. 10,94,391, bringing the total amount in the Fund to Rs. 24,81,619/-.

13. *Employees under the Market Committees* :—Under Section 8 of the Act, the appointments and transfers of the employees under the Market Committees and the Central Fund Organization are controlled by the Secretary to Government in the Marketing Department and by the Chief Marketing Officer. The Superintendents of all the Markets are appointed by Government and their salaries, terms of service, promotions, dismissals etc. are subject to the orders of Government. They are transferable throughout the State. The other employees are paid out of the funds of the Market Committees. Though the Market Committees are competent to appoint other members of the staff, in actual practice, they are either appointed by or subject to the confirmation of the Chief Marketing Officer. The Superintendent of the Market exercises full control over the staff.

14. *Number of Licensed Market Functionaries* :—In the year 1954-55, the number of licensees in 80 of the Regulated Markets in the State was 12,060, of whom 5,017 were traders, 4,578 were petty dealers, 208 were brokers and 2,257 were weighmen.

15. *The Income and Expenditure Position of the Market Committees* :—The following statement shows the receipts of income under several heads during 1954 :—

(1) Market Fees	Rs. 13,78,201/-
(1) Registration and Licensed fees	Rs. 2,11,789/-
(3) Miscellaneous Items	Rs. 1,95,101/-
Total	Rs. 17,85,091/-

The total expenditure was Rs.16,97,926/-, leaving a surplus of Rs. 87,165.

The following statements show the acreage under agricultural crops and quantities of production for the years 1953-54 and 1954-55 :—

Groups of Commodities	Year 1953—54	
	Acreage : (in lakhs of acres)	Production (in lakhs of tons).
(1) Cereals	149.67	22.97
(2) Pulses	53.76	6.08
(3) Oil-seeds	49.41	7.38
(4) Cotton	33.06	2.26
(5) Sugarcane	0.70	1.51
(6) Tobacco	0.43	0.10
(7) Others	9.89	N.A.
	Year 1954—55	
	Acreage : (in lakhs of acres)	Production (in lakhs of tons).
(1) Cereals	151.67	23.93
(2) Pulses	52.21	5.72
(3) Oil-seeds	53.29	9.56
(4) Cotton	30.35	2.26
(5) Sugarcane	0.80	1.64
(6) Tobacco	0.35	0.9
(7) Others	12.91	N.A.

The area under different agricultural crops in the year 1951-52 was 265.8 lakh acres which rose to 301.6 lakh acres, showing an increase of 13.4 per cent during 1954-55. The total quantity of crops produced rose from 34 lakh tons to 45 lakh tons during the same period, showing an increase of 26.5 per cent over the 1951-52 figures. Cereals and oil-seeds mainly accounted for this rise in production.

16. *Arrivals in Regulated Markets* :—The aggregate quantities of arrivals of different commodities and their valuation at the regulated market in the State for a period of two years, viz., 1953-54 and 1954-55, are given below :—

Serial No.	Groups of Commodities.	1953—54		1954—55	
		Arrivals (in lakhs of pallas)	Valuation (in lakhs of rupees)	Arrivals (in lakhs of pallas)	Valuation (in lakhs of rupees)
			Rs.		Rs.
1.	Cereals	17.7	681.7	26.2	832.3
2.	Pulses	18.5	544.0	24.0	854.1
3.	Oil-seeds	27.2	1559.8	48.8	1774.4
4.	Condiments	5.8	444.6	8.3	484.1
5.	Fibres	10.8	822.4	18.8	93.0
6.	Others	0.4	108.2	1.2	194.5
	Totals	74.9	4160.7	112.3	4232.4

These figures indicate that the total increase in the aggregate arrivals of 1954-55 over those of 1953-54 was to the tune of 38 lakh pallas. Paddy and rice accounted for an increase 11 lakh pallas, while oil-seeds (groundnuts in particular), for 22 lakh pallas and other commodities (mainly condiments) for the remaining 5 lakh pallas. The total rise has been 50 per cent and is attributed to increased production due to favourable seasons, improved marketing facilities accorded to sellers and the intensification of the "Grow More Food Campaign" of the Government of Hyderabad.

17. *Establishment of Grading Stations* :—The State has large producing areas for ghee, edible oils, castor oil, rice and mosambies and santras. It has both intra-State and inter-State trade transactions in these commodities. The Marketing Department contemplates the grading of ghee, edible oils, castor oil, rice, mosambies and santras, involving an expenditure of Rs. 6,12,008/-. of which a sum of Rs. 1,70,572/- is proposed to be borne by the State Government and the balance by the Marketing Department from out of the grading and testing fees from the authorized packers.

18. *Organisation of a Statistical Section* :—A small Publicity-cum-Statistical Section has been established at the Head Office

of the Marketing Department. So far, it has undertaken dissemination of prices and other information through weekly and monthly bulletins and through the Hyderabad Branch of the All India Radio. Publicity Stalls are being arranged at some important fairs in the State. The Marketing Department proposes to intensify such activities and to undertake villagewise propaganda to make the cultivators marketing-minded. This scheme of publicity is expected to involve a recurring expenditure of Rs. 3,82,766/- and non-recurring expenditure of Rs. 9,320/-.

19. *Expenditure on Ameliorative works in the Regulated Markets*:—In order to provide necessary amenities for health, convenience and welfare of the cultivator-sellers and also the users of the markets, the Marketing Department contemplates spending on ameliorative works, an aggregate sum of Rs. 16,20,300 in the existing markets. The Government of Hyderabad, has agreed to share Rs. 8,72,424/-, the balance being met from the amount to the credit of the Central Marketing Fund.

20. *Regulation of New Trade Centres*:—At the beginning of the year 1955, the Agricultural Markets Act had been enforced in 80 Trade Centres. There are still 24 Centres where the marketing conditions are such as need regulation under the Markets Act. These new trade centres include four markets in the metropolis, and the rest in the districts. The Marketing Department contemplates regulating the trade not only in grains and seeds in the new markets at Hyderabad but also trade in fruit and vegetables. The expenditure to be incurred on the Scheme for regulation of 24 new trade centres is estimated to be Rs. 9,42,600/-, of which a sum of Rs. 5,97,000 is debitable to General Revenues, and the balance to the Central Market Fund.

21. *Expansion of the Marketing Department in the State*:—In view of the expanded activities that the Marketing Department is going to undertake during the next Five-Year Plan period, it is proposed to reorganize the Head Office of the Department as well as the Regional Offices working under it. During the past 25 years the Department is in existence, it has rendered useful services to the agriculturist and in view of the new responsibilities that it is expected to shoulder, the status of the Chief Marketing Officer has been put on par with that of a District Collector.

The State Government is spending at present on the Department, about Rs. 1 lakh; with the proposed reorganization of the Department, an additional sum of Rs. 3,43,519/- would have to be spent during the Second Five-Year Plan period.

22. *Appointment of an Ad Hoc Committee* :—Towards the close of the year 1953, an Ad Hoc Eight-man Committee consisting of officials and non-officials was appointed by the State Government to review the working of the Marketing Department and also to suggest suitable amendments to the Agricultural Markets Act and the Rules, so as to facilitate orderly progress of the Marketing organisation in the State. This Ad Hoc Committee, in its turn, appointed a Sub-Committee of its own under the Chairmanship of the Chief Marketing Officer, with a Regional Marketing Officer and an Assistant Marketing Officer as Joint Secretaries. The Sub-Committee has submitted a comprehensive report with its findings and recommendations to the Ad Hoc Committee for consideration. It is stated that some of important recommendations made by the Sub-Committee have already been implemented by the Marketing Department.

Working of Typical Regulated Markets in the State

(A) *Nanded Regulated Market* :—Nanded is an important assembling market for cotton and cereals in the district of the same name in the Marathwada region of the State. It is situated on the Manmad-Kacheguda meter gauge section of the Central Railway. The Hyderabad Agricultural Markets Act was applied to this market in November, 1950.

1. *Area* : Its notified area is 5 miles around the Collector's Office, Nanded. 3 years ago a new market yard at a distance of about 2 miles from the town and $1\frac{1}{2}$ miles from the Railway Station was established. The area of the market yard was acquired by the Nanded Municipality and is owned by it. The Municipality has arranged for water and lighting facilities in the yard; Ryot sheds, cattle troughs, and a police shed are also constructed by the committee. There are 175 shops and 303 godowns owned by the traders and commission agents and the market yard is yet to be fully developed.

2. **Commodities Regulated :** The commodities regulated in this market are Kapas, Jaggery, Karad, Wheat, Jowar, Ground-nut, Rice, Mug, Tur, Pulse and other millets.

3. **Arrivals in the Market :** The following statement shows the total quantities of arrivals of several commodities for a period of 3 years ending 54-55.

Arrivals in pallas, a palla being of 120 seers.

	<i>1952-53</i>	<i>1953-54</i>	<i>1954-55</i>
Various commodities	3,74,911	9,10,994	3,73,642

Of these arrivals the railway accounts for 5 per cent, motor trucks 40 per cent and the remaining 55 per cent arrived in carts. Out of the total quantities of arrivals only 25 per cent is reported to have been brought by the agriculturists and the remaining 75 per cent by small traders who go round the villages and make purchases of produce under the Loani and Jethi system of advances to cultivators ; of the several commodities handled by this market 40 per cent are Kapas and 25 per cent Jowar. Next in importance are ground-nut, jaggery and tur. The total value of produce that comes to the market for sale annually is estimated to be in the neighbourhood of about 2 crores of rupees according to present market prices.

4. **System of sale :** The method of sale followed in this market varies according to commodities handled. Grains and groundnut are sold by open auction on heap system while cotton is sold by the fardi system. There were 161 registered traders, 85 petty traders, 18 brokers, 300 hamals and 42 weighmen.

5. **Market Charges and Fees :** Market fee is collected at As. 4 per cent i.e. 4 As. for every 100 Rs. worth of produce and it is collected by the Adayas from agriculturists and handed over to the market committee. The following statement shows the market charges payable by the seller and the buyer :—

Commodity	Rate for every 100 Rupee worth of produce	Marketing charges payable by sellers		Marketing charges payable by buyers		Weighing
		Hamali	Local Charity	Hamali	Local Charity	
Cotton	1-8	0-0-10 p.b.	0-0-5 p. p.	0-1-1-3 p.p.	0-0-3 p.p.	0-0-3 p.p.
Lint	1-0	0-0-5 p.p.	0-0-9 2D	0-0-10 2D	0-0-9 2D	0-0-5 2D
Grains	2-0	0-0-5 p.p.	0-0-1 p.b.	0-0-5 p.b.	0-0-1 p.b.	0-0-3 p.b.

Note :—p.b. = per bag. p.p. = per palla. 2D = Two Docras.

The agreement slips are given to the buyers, sellers and the Market Committee. The payments for the value of the produce sold are promptly made subject to a discount and no allowances by way of refraction are permitted. Payments of sale proceeds are made daily.

6. Income and Expenditure:—The following statement shows the income and expenditure position of the Market Committee, for a period of two years.

Income		Expenditure	
1953-54	1954-55	1953-54	1954-55
Rs.	Rs.	Rs.	Rs.
1,36,953	66,509	1,05,888	1,06,271

7. Disputes : Disputes generally arise in connection with the payment of sale-proceeds of produce. Traders make advances of money to the agriculturists for various purposes which they attempt to recover from out of the sale proceeds of produce sold to them. This is not, however, permissible under the Bye-laws of the Market Committee unless the cultivators agree specifically to such set off. Such disputes are decided on their merits by the Market Superintendents in the first instance and if they are not amicably resolved they are taken to the Disputes Sub-Committee for decision or even to the Committee as the case may be. It is understood that 13 cases of disputes of this nature were decided during the last three years.

8. **Constitution of the Committee :** The Market Committee consists of twelve persons. The collector of Nanded District, who is a nominee of the Government, is the Chairman. He attends to the meetings of the Market Committee, when called, and signs only important papers. The day-to-day work of the Committee is looked after by the Market Superintendent. In the past, the Collector was also the President of the local Municipality, and he used to take great initiative and interest in acquisition and development of the market yard. Now that the Collector is not the President of the Municipality, the interests of the Market Committee and the Municipality often collide. No octroi is recovered by the Nanded Municipality.

9. A few of the important features of the working of this Market Committee are mentioned below :

(1) There are no restrictions on purchases and sales of regulated commodities beyond the market area. Still, however, a considerable quantity of produce comes for sale in the market-yard.

(2) The Market Committee does not hold itself responsible for the reasonableness or otherwise of the prices at which agricultural products are sold in the market.

(3) The licensed weighmen are employees of mills or factories owned by the Manufacturers.

(4) The Market Committee does not insist on cleaner produce being brought for sale by the agriculturists.

(5) Retail traders are permitted to buy only small quantities of produce.

(6) In the case of grains, sometime elapses before payment for the value of the produce sold, is made to the seller. Cash payment of sale proceeds on the very day of sale is subject to a discount of 6%.

(7) No licence fee for setting up a place of business is charged.

(8) Retail traders and brokers have no voting rights.

(9) No grading is undertaken by the Market Committee.

(10) The Market Committee supplies information regarding arrivals, prices, stocks, etc. to the Chief Marketing Officer regularly.

The staff working under the committee consists of 18 persons, including one Market Superintendent and an Assistant Marketing Superintendent.

10. Propaganda & Publicity : The Market Superintendent tours the villages in the area served by the Market during the off season and propagates the benefits of regulated markets to the villagers. During the fairs and Jattras stalls are erected and exhibits arranged so that the agriculturists gathered at the fairs may have an idea about the benefits and working of Regulated Markets.

(B) *Working of Regulated Market, Gulbarga* :— (1) Gulbarga is a place of commercial importance situated on the main line of the Central Railway between Raichur and Sholapur in the Karnatak Region of the State. The Hyderabad Agricultural Markets Act, 1930, was made applicable to this Market with effect from 19th March 1940. The notified area of the Market extends to five miles around the Collectorate, Gulbarga, and the area of the Market proper is co-extensive with the Municipal area and includes Nehru Ganj, Oil mills and Dal Mills and their godowns and compounds. Gulbarga Market has a well-built Ganj or Monda and is situated outside the city but in the industrial area measuring about 20 acres of land. There are about 140 well-built shops with side rooms admeasuring 20' × 15'. There are also about 90 godowns in the Market-yard in the rear of the merchants' shops and the area of each godown is 20' × 15'. Besides these, a platform measuring about 20' in breadth is also provided in front of each shop for the purpose of weighing produce. It is on this platform that heaps of agricultural produce are arranged for purposes of auction. The entire wholesale business is conducted in the Gunj. Carts and motor lorries laden with agricultural produce arrive in the market-yard, and weighing generally takes place in the market-yard only.

2. The commodities regulated are cereals, pulses, oil-seeds, kapas and lint and other millets. Though the Market is principally a grain market, almost all the agricultural commodities are brought within the ambit of the Agricultural Markets Act, 1930.

3. *Constitution of the Market Committee* :—The Committee consists of 12 members, out of whom 6 members representing the

growers, are nominated by the Collector of the District; four members representing the Traders' constituency are elected by the Registered traders or merchants, one member representing the Local Authority's constituency is elected by the Gulbarga Municipality and the Collector is the Nominee of Government on the Committee, and he is the Chairman of the Committee. The tenure of office of the Committee is two years and the official year commences from 1st April each year and ends with 31st March in the following year.

4. *System of Sale*:—Heapwise auction of groundnut and other oil-seeds is introduced in this Market. In case of cereals, sale takes place on the basis of samples. The system of sieving of all commodities entering the Market is in vogue. No 'kadata' or any other trade allowance other than those prescribed by the Committee is permitted.

5. *Arrivals in the Market*:—Before the enforcement of the Markets Act, 1930, only 25% of the total arrivals of commodities was brought by the agriculturists and the balance by the village banias and traders and itinerant dealers. But after the enforcement of the Act, because of certain safeguards such as the issue of Tak-patties and supervision over weighments, the quantities of commodities arriving in the market have increased from 60 to 80 per cent of the aggregate arrivals in the Market. The following statement shows the arrivals of commodities for the period of three years ending 1954-55:—

Name of Commodities	(In Pallas of 120 seers).		
	1952-53	1953-54	1954-55
(1) Jowar	17,900	30,509	39,256
(2) Wheat	3,358	3,533	6,337
(3) Rice	4,481	8,013	23,356
(4) Bajra	12,719	11,871	8,022
(5) Tur	43,927	23,178	36,727
(6) Gram	23,627	14,433	33,178
(7) Groundnut Pods	3,35,546	1,58,902	3,65,489
(8) Karad	25,748	23,884	31,961
(9) Linseed	6,998	2,713	6,364
(10) Til	15,238	25,251	24,489

6. *Market Functionaries*:—The following statement shows the number of functionaries operating in the Market during 1954-55.

and the amount of licence fees prescribed against each class annually :—

Traders	No. of operators	Amount of Licence fee prescribed
(1) Commission Agents ...	154	Rs. 34-8
(2) Retail or Petty Traders	299	Rs. 8-8
(3) Weighmen ...	147	Rs. 5-0

7. *Market Fees and Charges*:—Market fee is collected on ad valorem basis at 4 annas for every hundred rupees worth of produce that is sold in the market-yard and is payable by the seller. It is collected through the commission agents. The other incidental charges which have to be borne by the seller are given below:—

- (a) Adat or Commission. = @ Rs. 2 for every Rs. 100 worth of produce.
- (b) *Hamali*. = 0-0-9 per bag in case of groundnut.
= 0-2-0 per bag in case of grains.
- (b) *Sieving*. = 0-0-3 per bag in case of groundnut.
= 0-0-6 per bag in case of grains.

8. *Income and Expenditure Position of the Market Committee*:—The following statement shows income and expenditure position of the Market Committee for 1953-54 and 1954-55:—

Income				1953-54	1954-55
				Rs.	Rs.
(1)	Market Fees	...	...	82,194-0-0	68,462-0-0
(2)	Licence Fees	...	...	9,273-0-0	8,589-0-0
Expenditure					
Total expenditure including salaries and ameliorative works.				76,486-0-0	34,546-0-0

The assets of the Committee exceeded 3 lakhs by the end of 1954-55.

9. *Staff*:—The staff working under the Market Committee consisted of eight persons including one Market Superintendent, and one Assistant Market Superintendent.

10. *Levy for Weighment*:—The system of measuring goods in the wholesale transactions is put a stop to entirely. Weighbeams and scales are used for weighment. Scales and weights are checked by the Inspector of Weights and Measures. They are owned by the Commission Agents. The licensed weighmen are the employees of the Commission Agents and no separate charge is levied for weighment, but it is included in the commission or adat charged by the Commission Agents. A resolution passed some time ago by the Market Committee to appoint its own independent weighmen for a nominal charge was stoutly opposed by the Commission Agents who showed their willingness for employment of independent weighmen by the Committee, provided that no additional charge was levied for such weighment, howsoever small or nominal it might be, and the expenditure on their salaries was met from the income of the Committee. The proposal was, therefore, dropped.

11. *Provision of Amenities in the Market*:—It is reported that five cattle troughs, four water tanks, one ryot shed, eight latrines and two separate urinals for ladies have been constructed, and that electric lights have also been provided. The Committee contemplates constructing pucca concrete roads in the Market, a parking ground for carts at a cost of about Rs. 2 lakhs. The Market Committee and the Municipality have agreed to share the cost on a 50:50 basis. A ryot shed has already been built at a cost of Rs. 17,000 and it is proposed to build one kitchen room and a compound wall at a cost of about Rs. 8,000/-.

12. *Market News*:—The Committee is provided with a Radio to notify the prices ruling in the terminal markets like Hyderabad, Bombay etc., before auctions commence in the yard.

13. *Publicity and Propaganda*:—There is one Propaganda Unit attached to the Office of the Chief Marketing Officer with the necessary equipment like gramophone, microphone etc. The Market Committee prepares charts and graphs showing the arrivals of commodities and prices. Charts showing how the percentages of arrivals brought by the cultivators are on the increase year by year after regulation of the Market, are also prepared. The Marketing Department, Hyderabad, makes arrangements for opening stalls at Jatras and Urs in the Hyderabad

State. In accordance with the programme chalked out, this Market Committee opened stalls in the annual fair of Ghangapur and Jatra of Sharan-Basaweshwar at Gulburga and Urs of Bande-Nawaz at Gulburga. The Market Committee printed also a number of pamphlets giving detailed information as to how cultivator-sellers stand to gain if they brought clean produce to the Regulated Markets in order to get competitive prices. The stalls opened by the Market Committee were visited by many of the cultivators who were given the necessary information regarding the working of the regulated market.

14. *Disputes*:—Disputes for non-payment of the value of produce by the Commission Agents promptly come to the Market Committee for settlement. Such disputes are decided by the Market Superintendent. If the dispute is with regard to the quality of produce, and is of a complicated nature, it is generally decided by the Sub-Committee appointed by the Market Committee.

(See Table on page 894A).

Regulated Markets in the Mysore State

1. *Davangere Regulated Market*:—Davangere is an important commercial centre in the Mysore State situated on the Hubli-Harihar Meter Gauge Section of the Southern Railway. The Mysore Agricultural Produce Markets Act was applied to this Market only in 1949, but the Regulated Market began to function with effect from 1952, when the Market place was shifted to the new Market-yard.

2. The area of the Market extends to seven neighbouring Talukas. A separate Market yard has been established for which 214 acres of land have been acquired by the Committee. All carts laden with agricultural produce arrive in the Market-yard and weighment also takes place there. Out of 214 acres acquired by the Committee, an area measuring about 34 acres has been utilized for constructing godowns and shops by the merchants. Many agricultural commodities are regulated in this Market, but the chief ones are cotton, groundnut and chillies.

3. *Composition of the Market Committee*:—Out of 16 members of the Market Committee, 8 are representatives of agricul-

Present structure of the Marketing Department of Hyderabad State

(1) Government Branch or Section Chief Marketing Officer (2) Non-Government Section or Branch
Assisted by

(A) Survey Section

(B) Regional Section

In charge of

(1) One Senior Asstt. Marketing officer (Gazetted Rank Class II)

Assisted by—non gazetted staff.

Regional Marketing Officer (Class II) (Gazetted officer Gulbarga & Warangal Aurangabad & Medak Region.

(1) Asstt. Marketing officer.

(2) Asstt. Marketing officer.

(3) Asstt. Marketing officer.

Duties of Senior Asstt. Marketing officer

Duties of Asstt. Marketing officer.

(1) Inspection of Markets

(2) Conduct of Marketing Surveys.

(3) Guiding the 3 Asstt. Marketing officers.

(4) Dealing with establishment matters Miscellaneous matters of Govt. Branch.

(1) To assist Senior Asstt. Marketing officer in the conduct of Marketing Surveys of agricultural commodities and live stock.

Other Ministerial staff.

Duties of Regional Marketing officer—

(1) To supervise the working of Hyderabad Agricultural Markets Act.

(2) To assist the chief Marketing officer in the administration of regulated markets and extension of Hyderabad Agricultural Market Act to other trade centres.

(3) To inspect the Regulated Markets in the Region

(4) To dispose of statistical papers.

(5) To sign cheques for payment to the Regulated Markets.

Other Ministerial Staff.

Non-Govt. Section or Branch-2.

Source of Information :—Report of the *Ad Hoc* Sub-committee Marketing Department, Hyderabad State, 1951.

(2) Non-Government Section or Branch.

(A) Audit Section Audit officers	(B) Engineering Section Engineer Gazetted officer (Class II) Assisted by 2 Sub-overseers and one Tracer Duties :— To expedite the construction works undertaken by Regulated Markets.	(C) Assistant Chief Marketing officers	(D) Market Superintendents
Accounts Superintendent. Income Audit Superintendent. Peshi Superintendent. Audits the accounts of the Central Fund Section Audits the accounts of the Regulated Markets and in respect of income assisted by Ministerial staff. Expenditure met out of the Central Fund.		(1) Asst. C.M.O. Aurangabad Circle H. Q.:- Parbhani Controls 18 Regulated Markets each of which in charge of either (1) Key Market Suppl. or (2) Senior Market Suppl. or (3) Junior market Suppl. or (4) Asst. Market Suppl. (2) Asst. C.M.O. Medak Circle H. Q.:- Nizamabad Controls 21 Regulated Markets- Other participants as in 1. (3) Asst. C.M.O. Gulbarga Circle H. Q.:- Gulbarga Controls 19 Regulated Markets (4) Asst. C.M.O. Warangal Circle H. Q.:- Warangal Controls 17 Regulated Markets Other participants as in 1.	Expenditure met out of the Central Fund.

Establishment of each Asst. Chief Marketing officer.

- (1) Senior Auditor
- (1) Junior Auditor
- (2) and Clerical Clerks
- (2) Peon.
- (1) Barshi.

(10) Central Fund Department.

turists. The agriculturist-representatives are nominated by Government from among the agriculturists residing in the serving area of the Market which comprises seven Talukas. Usually, a panel of names is obtained from the Deputy Commissioner and after examining the panel, recommendations are made to the State Government by the Chief Marketing Officer. The Chief Marketing Officer can include other names also while making recommendations; even Government may change the panel and nominate any other agriculturist residing in the serving area of the Market. This is for the first Committee immediately after the establishment of the Market. For the subsequent Market Committees, agriculturist-representatives are elected from among the voters in the serving area of the Market. To be eligible as voters in the agriculturists' constituency, producers residing in the area served by the Market concerned must be—

(1) Persons holding in such area land alienated or maintained or assessed conjointly or assessable at not less than Rs. 15/- per year.

(2) Tenants of unalienated lands assessed at not less than Rs. 15 per year.

Besides the eight agriculturist-representatives nominated for the Market Committee for the first constituted body and elected for the subsequent terms, there shall be on the Market Committee—

- (1) 1 member nominated by the Government,
- (2) 1 member shall be elected by the District Board,
- (3) 1 member elected by the Municipality of the area, and
- (4) 5 remaining shall be elected by the traders.

4. *Market Fee or Cess* :—On merchandise brought for sale in the Market proper, the following fees are charged :—

- (1) For every sack of agricultural produce ... 6 pies.
- (2) For every cart laden with agricultural Produce (not in sacks but loose) 4 annas.
- (3) For every motor lorry bringing in agricultural produce Rs. 1-8-0.
- (4) For every Andigi of ginned or unginned cotton weighing about 10 to 15 maunds 2 annas.

- (5) For every Andigi of chillies weighing about 5 to 7 maunds $1\frac{1}{2}$ annas.
- (6) If agricultural produce is brought by rail or otherwise not in sacks or Andigis but loose by conveyances other than bullock carts and motor lorries, for every six maunds of such produce 1 anna.

N.B.—One maund is equivalent to 28 lbs.

The market fee is collected by the staff of the Regulated Market at the Municipal toll gates as soon as the commodity comes into the market at the rates shown above. It is obvious that Market fees are not collected on ad valorem basis, but the cess is collected on the basis of bag, or cart-load or a docra or an Andigi as mentioned above.

5. *Market charges payable to Market Functionaries in case of different commodities by the seller:*—The following statement shows the names of commodities and the rate of a adat or commission or other charges payable by the seller :—

Names of Commodities				Rate of Adat or Commission Rs.	Basis of charge	
(1)	Groundnut both shelled and unshelled	...	...	2-0-0	For produce worth Rs.100/-	
(2)	Cotton ginned and unginned	...	...	2-0-0	do.	do.
(3)	Other Commodities	...	...	2-0-0	do.	do.

				Weightment Charge Rs.	Hamali Rs.
(1)	For every Andigi of unginned cotton	...	...	0-2-0	0-3-0
(2)	For every Andigi of ginned cotton	...	...	0-1-0	0-3-0
(3)	For every Andigi of chillies	...	...	0-0-9	0-3-3
(4)	For every bag of cotton-seed	...	...	0-0-3	0-0-3
(5)	For every Andigi of gul	...	...	0-0-6	0-0-6
(6)	For every bag of groundnut kernels	...	...	0-0-3	0-0-6
(7)	For every bag of unshelled groundnut	...	...	0-0-9	0-0-9
(8)	Coriander, Pulses and Oilseeds (for a Palla)	...	...	0-0-9	0-0-9
(9)	Rent or hire of an empty gunny for each sack	...	...	0-2-0	—

6. *System of Sale*:—When carts laden with agricultural produce arrive in the Market-yard, the open system of auction is followed. The staff of the Market Committee auction the produce and there is no private agreement. Each heap of the producer is auctioned individually and the highest bidder would purchase the same if the agriculturist is willing to sell it at the rate offered. If the seller refuses to accept the highest bid, the produce is re-auctioned the same day if there is time enough to do so. Otherwise, it is sold by auction the next day. Auctions commence daily from 11 a.m. and continues up to 3 p.m.. The daily opening rates ruling in the Bombay Market are received by a telegram and notified. Closing rates are received through the radio, which are also notified. The rates for commodities in this Market are the parity prices ruling in the Bombay Market. In case of unginned cotton which arrives in a wet condition, an allowance is fixed before it is auctioned. But in the case of groundnut arriving wet in the months of September and October, when arrivals in the Market are the heaviest, no allowance is fixed before auction. Wet produce is examined by the purchasers who offer their prices according to the condition of the produce, but if the produce is affected by rain after auction but before weighment, the Dispute Sub-Committee meets within half an hour on the same day and fixes a deduction to be allowed for each bag.

7. *Method of Weighment*:—The scale-pans and weights are all owned by the commission agents. These are annually checked by the Inspectors of Weights and Measures. The unit of weight is the maund, which is equivalent to 28 lbs. As soon as the produce is auctioned, measurement or weighment of the produce commences and the licensed weighmen or measurers will attend to the work. At the time of weighment or measurement, the Commission Agent or his representative would ordinarily be present. The delivery of the purchased commodity will be taken by the buyer at the very site where weighment or measurement is done and the buyer would make his own arrangement to take the produce to his factory or godown.

8. *Arrivals in the Market*:—The following statement shows the quantities of arrivals and value of important commodities during the period of four years ending 1954-55:—

Names of Commodities		1951-52 Mds.	1952-53 Mds.	1953-54 Mds.	1954-55 Mds.
(1)	Groundnut ...	21,91,329	13,33,509	16,95,795	27,33,897
	Value in lakhs of rupees ...	197.21	80.01	152.62	188.70
(2)	Unginned Cotton	5,68,000	3,08,000	3,36,000	5,88,000
	Value in lakhs of rupees ...	70.56	30.80	45.68	69.56
(3)	Chillies ...	1,50,000	1,03,000	49,000	45,000
	Value in lakhs of rupees ...	37.50	13.39	12.25	13.50

9. *Income and Expenditure Position of the Committee:*—The income of the Market Committee during 1954-55 was Rs. 53,875/- as against Rs. 42,539/- of the preceding year. Bulk of the revenue is derived from market fees. The total expenditure during 1953-54 was Rs. 46,742/- including repayment of Government loan to the extent of Rs. 18,533/-, leaving a deficit of Rs. 4,203/- for the year. The expenditure during 1955 was Rs. 46,764/-, leaving a surplus of Rs. 7,111/-, which was adequate enough to meet the previous year's deficit.

10. *Marketing Co-operatives operating in the Market Area:*—The Marketing Department in Mysore encourages the establishment of Marketing Co-operatives in all the important trade centres, particularly in those centres where regulated markets are established. The Marketing Co-operatives are the licensees of Market Committees, and as such, do business according to the rules and regulations of the Market Committees. There are single-commodity marketing co-operatives in the State except those at Davangere and Chittaldurg where the Societies handle all the agricultural produce marketed. The Davangere Co-operative Marketing Society is operating in the market-yard of the Regulated Market and how its working is helped by the Regulated Market is described in the following paragraph:—

The Market Committee has built a spacious godown in the market-yard to accommodate the Sale Society. The Sale Society is popular among the cultivator-sellers because it not only abides by the rules and regulations of the Market Committee, but it also affords facilities to the cultivators. It arranges for the storage of the produce of all its members until it is sold. The produce

is generally sold when the market-rate is high. In the meanwhile, the Society makes advances against the pledge of the produce up to 60 per cent of the market value. In addition to this, the Society undertakes to supply the cultivator-members the necessaries of life required by them. It also makes production-finance available to them. This short loan is known as crop loan, and it is recovered from the sale-proceeds of the produce sold through the Society. The Sale Society contemplates expanding its activities by introducing processing plants such as a ginning factory or a decorticator or an oil mill. For these purposes the Market Committee has allocated for the Society a separate plot measuring about $3\frac{1}{2}$ acres.

11. *Provisions of Amenities in the Market-Yard:*—There are already two wells and a third well is proposed to be dug. Seven cattle troughs have been already constructed and ryot sheds and a cattle troughs near the grove of shady trees in an area measuring about four acres are proposed to be constructed. Wells have also been fitted with lift pumps. A 'tope' or a grove of 500 shady trees has been reared, and trees have also been planted on both sides of the road for shelter.

12. *Employment under the Committee:*—Although the Rules under the Mysore Markets Act provide for the appointment of the Secretary and the staff required by the Market Committee itself, the Chief Marketing Officer, at the request of the Market Committee, appoints all the staff, including the Secretary. The Chief Marketing Officer, Mysore, obtains sanction of the Government for the creation of posts, and requests the Public Service Commission to get these posts advertised and the applications received in response to the advertisement are sent to the Public Service Commission, which mentions the candidates to be preferred for appointment. The Chief Marketing Officer then fills up the posts, in accordance with the directions of the Public Service Commission. The posts of the Secretary and other staff working under the Regulated Markets of Mysore are not pensionable. The Secretary of the Market Committee is always a permanent official either of the Marketing or the Co-operative Department. His services are lent to the Market Committee. In addition to the pay and pensionary contribution and other allowances normally admissible, the Secretary is allowed a duty

allowance of Rs. 50/- per month in all the Regulated Markets except the Davangere Market where the Secretary is a Gazetted Officer (Shri H. S. Ramchandra) of the Co-operative Department and he draws a duty allowance of Rs. 100- per month. He has had training in the Co-operative Training College, Poona. In other Regulated Markets in the State, the Marketing Inspectors are working as Secretaries.

Chapter XI Regulated Markets

Appendix No.

Average market charges on paddy and rice in assembling markets in the different States of India.

Item	(per 100 Rupees)					
	Madras (6 markets)		Uttar Pradesh (7 markets)		Orissa (2 markets)	
	Paddy Rs.	Rice Rs.	Paddy Rs.	Rice Rs.	Paddy Rs.	Rice Rs.
Payable by seller						
Municipal tolls, taxes, etc. ...	—	—	0-8-0	0-9-3	—	—
Handling up to the point of weighing or measuring ...	1-1-3	—	0-3-6	0-7-4	0-3-9	—
Quantity and weight allowances (Dhalta, Karda, etc.) ...	—	—	4-13-8	2-3-6	—	—
Commission ...	—	—	—	0-12-0	—	—
Brokerage ...	0-14-11	—	1-8-10	0-11-4	—	0-14-6
Charities ...	0-6-7	—	0-1-2	0-3-5	0-5-7	1-6-6
Miscellaneous ...	—	—	3-5-2	2-2-2	0-4-0	—
Total payable by seller	2-6-9	—	10-8-4	7-1-0	0-13-4	3-3-5
Payable by buyer						
Handling from the point of weighing upto buyer's godown ...	0-9-11	—	0-12-6	0-11-2	0-12-3	—
Commission ...	0-9-10	—	2-5-6	1-0-0	—	—
Brokerage ...	0-9-11	—	0-4-0	—	—	—
Charities ...	0-9-10	—	—	0-1-0	—	—
Miscellaneous ...	—	—	—	0-6-0	—	—
Total payable by buyer	2-7-6	—	3-6-0	2-8-2	0-12-3	—
Grand Total :—	4-14-3	—	13-14-4	9-9-2	1-9-7	3-3-5
					1-10-5	8-9-3

Items	Madhya Pradesh (4 markets) Rice Rs.	Bombay (1 market) Rice Rs.	Hyderabad (8 markets) Rice	
			Paddy Regulated market Rs.	Unregulat- ed market Rs.
Payable by seller				
Municipal tolls, taxes, etc.	0-6-10	—	0-8-4	0-5-11
Handling upto the point of weighing or measuring ...	0-7-8	0-3-1	2-3-1	1-3-4
Quantity and weight allowances (Dhulta, Kurda, etc.)	—	—	—	—
Commission ...	1-3-3	1-8-0	1-4-0	1-4-0
Brokerage ...	—	—	—	—
Charities ...	0-7-9	—	—	0-1-0
Miscellaneous ...	—	—	—	—
Total payable by seller	2-9-6	1-11-1	3-15-5	2-14-3
Payable by buyer				
Handling from the point of weighing upto buyer's godown	1-7-2	0-12-4	—	0-7-3
Commission ...	0-5-4	1-8-0	—	—
Brokerage ...	—	—	—	—
Charities ...	—	—	—	0-0-0
Miscellaneous ...	—	—	—	—
Total payable buyer	1-12-6	2-4-4	—	0-7-3
Grant Total :—	4-0-0	3-15-5	3-15-5	3-5-6
				6-10-6

Source of Information :—Report on the marketing of rice in India p.p. 486 and 487.

CHAPTER XII

ROLE OF THE RESERVE BANK OF INDIA IN THE SCHEME OF AGRICULTURAL FINANCE IN INDIA

Ever since the establishment of the Reserve Bank of India in 1934, its exact role as a supplier of rural finance has been unfortunately a matter of controversy. As the Central Bank of the Country, the Reserve Bank is required to be in closer touch with the agencies providing rural credit. The Bank has a special Agricultural Credit Department charged with the duties of studying agricultural credit and making itself available for consultation and advice to Central and State Banks and other organizations and of co-ordinating the Bank's agricultural credit operations and its relations with the State Co-operative Banks and other credit organizations. The services of the Department have been during recent years increasingly availed of by the Registrars of Co-operative Societies, Co-operative Institutions and Central and State Governments. In pursuance of its policy of encouraging the development of co-operative finance, the Bank, in its preliminary and statutory reports, made valuable recommendations with a view to improving the methods of co-operative banks and in a circular issued in 1938, it laid down the procedure to be followed by Co-operative Banks which sought financial aid from the Bank. The Bank also decided to restrict such financial accommodation to only approved State Co-operative Banks, which fulfil certain conditions, the most important of which was the maintenance with the Bank of a minimum interest-free cash balance of $2\frac{1}{2}\%$ of demand and 1% of their time liabilities. In return, the approved Banks were given certain facilities, the most important of which was the recognition of such Banks or their Branches for the purpose of transfer of free remittances. The Bank also assured finance for agricultural operations or marketing of crops against time bills maturing within nine months, and bearing two or more signatures, one of which was required to be that of a State Co-operative Bank. In a further circular issued in June, 1939, the Bank explained the principles of sound banking which the

Co-operative Banks were advised to follow. The Bank further issued a set of conditions for placing Co-operative Banks on the approved list for the purpose of making financial accommodation under Section 17(2)(b) and (4)(a), (c), (d) of the Reserve Bank of India Act. One of the conditions that was insisted was the maintenance of cash balances referred to above. Thus these restrictive conditions prevented many of the co-operative banks from availing themselves of the facilities offered. In 1942, the Bank offered to grant financial accommodation against bills and pro-notes for marketing of crops at a concessional rate of 1% below the Bank rate, which was at that time 3%, provided the benefit was passed on to agriculturists. Here also because of this restrictive condition, no co-operative bank except one took advantage of the concession. In order to encourage borrowings from the Bank, it extended the Scheme of Rebate to cover seasonal agricultural operations. In 1946, the Bank modified the conditions for financial accommodation and the concessional rate charged was brought down to 1½%. The conditions were further relaxed in 1948 in order to encourage borrowings by approved Co-operative Banks under Sub-Sections 2(b) and 4(d) of Section 17 of the Reserve Bank of India Act. But only a few State Co-operative Banks in Bombay, Madras, Madhya Pradesh and Orissa availed themselves of the facilities; the amount of concessional finance went up to Rs. 2.70 crores—an amount far too insignificant looking to the credit requirements of the Co-operative Movement. The Bank is permitted to make available through Apex Institutions, clean or unsecured advances to the Co-operative Movement for financing agricultural operations or the marketing of crops under Section 17(2)(b) and Section 4(c) and secured advances against Government Securities and Land Mortgage Bank Debentures under Section 17(4)(a). Provision in Section 17(4)(d) which refers to advances against documents of title to goods has remained a dead letter, owing to the absence of licensed warehouses in the country. Within the scope of the three sub-sections of Section 17 of the Reserve Bank of India Act, the Bank's lending policies have been considerably liberalized, particularly after 1947, and onwards enabling the co-operative movement to take advantage of the facilities offered by the Bank, with the result that outstandings of advances against Co-operative State Banks increased to 9 crores on 15th February 1952. Out of this amount

of finance, it was only two Co-operative Banks in the two States of Bombay and Madras that were in receipt of 8.25 crores on the strength of their own financial resources. The two good signatures were those of the Central Co-operative Banks and the apex institutions. In the case of Banks in other States like Madhya Pradesh, Orissa and West Bengal, accommodation could be made only on the strength of the guarantee of the State Governments concerned, as the Central Financing Agencies there had not come up to the standards obtaining in Bombay and Madras. After the achievement of Indian Independence in August 1947, certain changes have taken place in regard to the relation of the Reserve Bank of India with the Agricultural Credit and Co-operative Movement which are dealt with below:—

Short-term and Medium-term Credit

Amendments to the Reserve Bank of India Act.:—Two important amendments were passed in 1951 and one of which related to Section 17(2)(a) of the Reserve Bank of India Act, which runs as under:—(i) “The purchase, sale and rediscount of bills of exchange and pro-notes, drawn on and payable in India arising out of *bona fide* commercial or trade transactions bearing two or more good signatures, one of which shall be that of the State Co-operative Bank or a Scheduled Bank and maturing within ninety days from the date of such purchase or rediscount exclusive of days of grace”.

This Section, which was formerly applicable to Scheduled Banks only, was made applicable to Co-operative Banks.

(ii) The second amendment related to the period of accommodation made available under Section 17(2)(b). The period which was nine months before was raised to fifteen months in terms of the amendment. In practice, the actual period for which advance is made has been ordinarily restricted to twelve months only.

(iii) More far-reaching changes in the Reserve Bank of India Act were introduced in 1953 on the basis of the recommendations made by the informal Conference. These changes were as under:—

(a) Addition of a new Section, viz., 17 (2) (bb) to facilitate financing of mixed farming activities. It runs as follows:—

“The purchase sale and rediscount of bills of exchange and promissory notes drawn and payable in India and bearing two or more good signatures, one of which shall be that of a State Co-operative Bank or a State Financial Corporation, and drawn or issued for the purpose of financing the production or marketing activities of cottage and small-scale industries approved by the Bank and maturing within twelve months from the date of such purchase or rediscount, exclusive of days of grace, provided that the payment of the principal and interest of such bills of exchange or promissory notes is fully guaranteed by the State Government”.

(b) Addition of another new Section, viz., 17 (4A) was made to facilitate issue of medium-term loans for agricultural purposes. It runs as follows:—

“The making to State Co-operative Bank of loans and advances for agricultural purposes, repayable on the expiry of fixed periods not being less than fifteen months, and not exceeding five years against such securities as may be specified in this behalf by the Central Board ; Provided that—

(a) such loans and advances are fully guaranteed as to the principal and interest by the State Government ; and

(b) the amount of loans and advances granted to any State Co-operative Bank shall not exceed the owned funds of such a bank :

Provided further that the amount of loans and advances granted by the Bank under this clause shall not at any time exceed five crores of rupees in the aggregate”.

This sub-action has been recently amended as detailed below :—

In April, 1955, the Reserve Bank of India Act has been amended once again. Section 17(A) of the Reserve Bank of India Act which permitted the making of medium-term advances has been replaced by the following :—

17(4A) the making of loans and advances out of the National Agricultural Credit (Long-term Operations) Fund and the National Agricultural Credit (Stabilisation) Fund established

under Section 46A and section 46B respectively for the purpose specified in the said sections”.

The new Sections 46A and 46B are as under :—

(a)(1) The Bank shall establish and maintain a Fund to be known as the National Agricultural Credit (Long-Term Operations) Fund to which shall be credited—

- (a) an initial sum of ten crores of rupees by the bank, and
- (b) such further sums of money as the Bank may contribute every year.

Provided that the annual contribution during each of the five years commencing with the year ending on the 30th day of June, 1956 shall not be less than five crores of rupees.

Provided further that the Central Government may, if the circumstances so require, authorize the Bank to increase or reduce the amount of its annual contribution in any year.

(2) The amount in the said Fund shall be applied by the Bank only to the following objects, namely :

(a) the making of loans and advances to State Governments for subscribing directly or indirectly to the share capital of a co-operative credit society and repayable on the expiry of fixed periods not exceeding twenty years from the date of making such loan or advance ;

(b) the making to State Co-operative Banks of loans and advances for agricultural purposes, repayable on the expiry of fixed periods not being less than fifteen months and not exceeding five years from the date of making such loan or advance. against such securities as may be specified in this behalf by the Bank ;

Provided that such loans and advances are fully guaranteed as to the repayment of the principal and payment of interest by the State Government ;

(c) The making to Central Land Mortgage Banks of loans and advances repayable on the expiry of fixed periods not exceeding twenty years from the date of making such loans or advances ; .

Provided that such loans and advances are fully guaranteed as to the repayment of the principal and payment of interest by the State Government ;

- (d) the purchase of debentures of Central Land Mortgage Banks ;

Provided that such debentures are fully guaranteed as to the repayment of the principal and payment of interest by the State Government :

Explanations : For the purposes of this section, a Central Land Mortgage Bank includes an institution engaged in the grant of loans on the mortgage of agricultural land and declared as such by the State Government in this behalf.

(B) 46B. (1) The Bank shall establish and maintain a Fund to be known as the National Agricultural Credit (Stabilisation) Fund to which shall be credited such sums of money as the Bank may contribute every year :—

Provided that the annual contribution during each of the five years commencing with the year ending on the 30th day of June 1956, shall not be less than one crore of rupees :

Provided further that the Central Government may, if the circumstances so require, authorise the Bank to increase or reduce the amount of its annual contribution in any year.

(2) The amount in the said Fund shall be applied by the Bank only to the making to State Co-operative Bank of loans and advances repayable on the expiry of fixed periods not being less than fifteen months and not exceeding five years from the date of making such loan or advance and on such terms and conditions as may be specified in this behalf by the bank :—

Provided that no such loans or advances shall be made :—

(a) except for the purpose of enabling the State Co-operative Banks to pay any dues in respect of bills of exchange and promissory notes purchased or rediscounted by the Bank under clause (2) of Section 17 or loans and advances made to them by the Bank under clause (4) of section 17, and unless, in the opinion of the Bank, the State Co-operative Banks are unable to pay such dues in time owing to drought, famine or other natural calamities ; and

(b) unless such loans and advances are fully guaranteed as to the repayment of the principal and payment of interest by the State Government”.

Procedural Reforms

Liberalization of the Procedure for the Grant of Loans and Advances:—Certain important changes were introduced in the procedure followed by the Reserve Bank in respect of accommodation to State Co-operative Banks in conformity with the recommendations of the Informal Conference. According to the revised procedure which is now in force, the stipulation previously made that all loans and advances should be repaid by a fixed date, viz., 30th September, each year, has been given up and each drawal is treated as a separate loan, and runs for the full period from the date of drawal. The credit limit fixed is related to the amount outstanding against any bank, on any day during the relevant year and not the limit of the total borrowings of the bank during the year. In effect, the limits can now be operated upon as a kind of cash credit account. This is a great improvement over the previous position because in the past limits once utilized could not be re-utilized after repayment even within the year to which the sanction related, without a fresh approach to the Reserve Bank. The previous procedure caused a certain amount of difficulty to co-operative banks, and consequently the Bank decided to allow all loans taken by the co-operative banks to run for their full periods (12 months), though the total outstandings at any time should not exceed the credit fixed for any year.

(b) The concessional rate of interest at which the accommodation is made available, has continued to be $1\frac{1}{2}$ per cent. even after the bank rate was raised from 3 to $3\frac{1}{2}$ per cent. in November 1951.

(c) *Relaxation of Conditions regarding ‘C’ class Societies:*—Formerly the position was that the accommodation made by the Reserve Bank could be used by the Apex Banks to finance only ‘A’ and ‘B’ class societies. But owing to the method of classification followed in some States which permitted not only qualitative or quantitative estimates also, some really good

or average institutions had to be placed under Class 'C' on technical grounds. The Bank decided, therefore, that in cases where the Registrar was satisfied with the financial soundness of any 'C' Class institution, he might make recommendation accordingly when the Bank would grant accommodation to such an institution also. When the States adopt a uniform standard of audit classification on the lines recommended by the Bank and approved by the Registrar, the difficulty now experienced would tend to disappear.

(d) *Standardization of Data to be supplied*:—In order that the credit limits be readily and promptly fixed in the case of co-operative institutions, the Agricultural Credit Department of the Reserve Bank of India has indicated the items on which the applicant banks are required to furnish data ; when such applications are received by the Bank with the recommendations of the Registrars as well as those of apex banks, they are disposed of without delay, the period taken being a week, if all the requisite details of information are forthcoming.

(e) *Liberalization of Remittance Transfer Facilities*:—The Reserve Bank of India has formulated a scheme of extension of remittance facilities to State Co-operative Banks removing certain restrictions operative in the past. These facilities are available to State Co-operative Banks that have joined the Scheme. The restrictive conditions that are waived or removed are given below:—

(1) The condition regarding the maintenance of an account with an Agency of the Reserve Bank of India.

(2) The requirement that the remittances between offices of the Reserve Bank should be in multiples of Rs.10,000/-. Remittances can at present be made in multiples of Rs.1,000/-, subject to a minimum of Rs. 10,000/-.

The reduced rates of remittances now in vogue are as under:—

Up to Rs. 5,000/-	...	at 1/32 per cent. (minimum Re. 1-0-0)
		for Co-operative Banks and Societies
		minimum As. 4.

Over Rs. 5,000/-	...	at 1/64 per cent. (minimum Re. 1-9-0).
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In the case of State Co-operative Banks, joining the Scheme of the Reserve Bank referred to above, the scope of facilities for remittances have been enlarged, as a result of which they would be entitled to remit money by a draft mail or telegraphic transfer through the offices, branches or agencies of the Reserve Bank of India as follows:—

- (a) An amount of Rs. 10,000 (minimum) or the multiples of Rs. 1,000 in excess thereof between the accounts maintained by State Co-operative Banks at the offices and branches of the Reserve Bank of India, free of charge; this facility being available only between the State Co-operative Banks joining the Scheme.
- (b) Once a week an amount of Rs. 5,000/- or a multiple thereof from any place at which there is an agency of the Reserve Bank of India, to any account which it maintains with it, such remittances being permitted to each of its offices, branches, sub-offices and pay-offices, free of charge.
- (c) Other remittances to an account which it maintains with the Reserve Bank of India, from any place at which there is an agency of the Reserve Bank, at 1/64 per cent. subject to a minimum of Re. 1/-. For the purpose of the above concession, the Reserve Bank of India will treat the Central Co-operative Banks affiliated to State Co-operative Banks as Branches of the latter. Moreover, scheduled banks and such co-operative banks as maintain accounts with the Reserve Bank of India are now entitled to transfer funds from the Branches of the State Bank of India to any account with the Reserve Bank of India, whether or not they maintain accounts with the State Bank of India, or have offices at places from where remittances are desired. It may be added that recently the Bank has also decided that urban co-operative banks affiliated to State Co-operative Banks satisfying certain conditions stipulated by the Reserve Bank of India should be treated as Branches of the State Co-operative Banks for the purpose of remittance facilities.

(3) The restriction that remittances should be to the principal account as also the condition regarding the maintenance of an

office or branch of a co-operative bank or a society at the place at which the agency of the Reserve Bank is situated. With the removal of the restriction, therefore, remittances can now be made by an office or branch of a co-operative bank from any place where the Reserve Bank has an agency to any account which it maintains with the Reserve Bank.

(4) The condition that remittances should be only to the principal accounts.

(f) *Inclusion of Part 'B' and Part 'C' States within the Scope of Section 17 of the Reserve Bank of India Act*:—Prior to merger, the Co-operative Movement in Indian States could not be helped by the Bank, as they fell outside the scope of the Reserve Bank of India Act. Now that they have been brought under the unified control of the Central Government, 7 Part 'B' and 7 Part 'C' States have been placed on a par with the former Indian Provinces, in terms of the concessions in 1951. The Officers of the Reserve Bank of India tour these States to formulate concrete proposals regarding the reorientation of the Co-operative Movement in the States visited, so as to bring the co-operative movement to the level of well-developed States like Bombay and Madras. This is then followed up by discussion between the State officials and Officers of the Reserve Bank of India as to how best the recommendations made by the Research Officers visiting the States could be implemented. As the reorganization proceeds apace, there will be corresponding increase in the extent of financial accommodation made available by the Reserve Bank. In many cases, the purpose in making the visits was to draw up a Plan of Development for a particular State visited. An essential part of the Plan was the creation of a State Co-operative Bank (through which alone the Reserve Bank could provide finance to the co-operative credit system) in states where one did not exist before. State Co-operative Banks were therefore, set up under this programme in the following States:—

(1) Saurashtra ; (2) Rajasthan ; (3) Travancore-Cochin ; (4) pepsu ; (5) Madhya Bharat and (6) Himachal Pradesh. In a number of States, State Co-operative Banks were already in existence. In case of some of these, considerable reorganization was recommended by the Reserve Bank, and progress on

the lines indicated has been made in various States such as Hyderabad, Mysore, Punjab and West Bengal. It may be stated that the plans formulated do not stop with the creation or reorganization of State Co-operative Banks, but they broadly cover the entire co-operative credit structure including proposals for rationalization of Central Finincing Agencies and the establishment of proper network of primary credit societies, as they are basic to the Co-operative Movement.

Long-term Finance

From 1948, the Reserve Bank started contributing to the debentures of Central Land Mortgage Banks which were guaranteed as to their principal and interest by the State Governments concerned up to 10 per cent. of the issue. Since 1950, however, the Bank started subscribing up to 20% of the debentures. In December 1953, another scheme was evolved in terms of which the Reserve Bank of India and the Government of India (the latter by arrangement with the State Governments concerned) jointly agreed to take up 40 per cent of the debentures of any series issued by land mortgage banks or the un-subscribed balance (excluding the subscriptions of the Government and the Reserve Bank of India) whichever was smaller. Half the purchase thus made was to be on Government account (i.e., maximum 20%) and the other half on the Reserve Bank Account (i.e. maximum 20%). The Central Land Mortgage Banks availing of this facility would, however, be required to agree to dispense loans for productive purposes within a year of the joint subscription aggregating not less than half of the amount jointly subscribed to.

In addition, the Reserve Bank has extended to State Co-operative Banks the facility of advances against debentures of land mortgage banks under Section 17(4) (a) placing them on a par with Government securities in this regard.

The Rural Credit Survey

As already mentioned, the functions exercised by the Reserve Bank in regard to the provisions of rural finance have been made more effective in certain respects or the framework itself expanded

in certain others, but there remained the vital question of formulating a long-term plan in regard to both policy and organization. It was in this context that the Informal Conference felt that a detailed investigation of the facts on a countrywide basis was a necessary preliminary. The recommendation was accepted by the Reserve Bank. The All-India Rural Credit Survey, was the outcome. The General Report of the Committee of Direction of the All-India Rural Credit Survey, which was released in December 1954, makes far-reaching recommendations for the creation of an integrated system of agricultural credit.

Standing Advisory Committee and its Division into Two Bodies

Along with the steps taken to make accommodation from the Reserve Bank more and more liberal, the Informal Conference also suggested that there should be closer co-ordination between the activities of co-operative institutions on the one hand and the policies and operations of the Reserve Bank on the other. In this context, they suggested the establishment of a Standing Advisory Committee on Agricultural Credit. Accordingly, a Standing Advisory Committee consisting of 14 members was set up, in July, 1951 for advising the Reserve Bank "on matters pertaining to its Agricultural Credit Department and subjects allied to those matters". The Committee has so far met four times, besides reviewing the work of the Agricultural Credit Department and giving advice on various points raised, the Committee evolved suitable standards with regard to different aspects of co-operative banking and administration such as the maintenance of fluid resources, uniformity of audit classification, etc.

Among the recommendations of the Rural Credit Survey Report which have been accepted is one, which concerns future arrangements for making available to the Reserve Bank and to the Government of India, expert and representative advice on matters concerning Rural Credit and Co-operative Development. As mentioned above, the Standing Advisory Committee emerged from the implementation of one of the suggestions of the Informal Conference on Rural Finance convened by the Bank in 1951. The proposal at that time made was that the Standing Advisory Committee should be an expert, rather than a representative

body, with a membership which, consequently, would be relatively small. At the same time, of course, the smallness would not be that of a really compact advisory body designed to meet at somewhat more frequent intervals than only once or twice a year. The actual need as emphasised by the Rural Credit Survey Committee was two-fold : On the one hand, there was a need for a Council with a wider membership than the present body, and constituted on a more or less representative basis. On the other hand, there was a simultaneous need for a much smaller Expert Committee. The larger Council could then be representative of almost all the States besides including economists, co-operators etc. Further, it could be a body common for the Reserve Bank, the Food and Agriculture Ministry and the National Co-operative Development and Warehousing Board. The Standing Advisory Committee of the Reserve Bank as distinct from the Council would then have smaller membership than at present. More explicitly, its size would be such that it could meet at least once every quarter, perhaps oftener, for advising the Bank on important issues of policy and procedure arising from time to time in the sphere of rural credit. There would of course be provision to co-opt the Registrars or other representatives from different States, according to the particular issues under consideration on any one occasion. The Bank contemplates taking action on this recommendation shortly.

Central Committee for Co-operative Training

Scheme of Training Co-operative Personnel at different Levels —Progress made :

(a) *Training of Senior Officers* :—The tours undertaken by the Research Officers of the Bank had disclosed that lack of trained personnel—a result of the inadequacy of arrangements for training—was retarding the growth of the Co-operative movement in many States. It was against this background that the Reserve Bank of India, in collaboration with the Bombay Provincial Co-operative Institute, sponsored in April 1952 an All-India Training Scheme for the training of higher co-operative personnel of institutions as well as Co-operative Departments consisting of a six-month course at the Co-operative Training College, Poona. The College, run under the auspices of the Bombay Provincial

Co-operative Institute, had already introduced a twelve-month course for Intermediate personnel of the Co-operative Institutions as well as Co-operative Departments all over India, which was also recognised by the Reserve Bank of India later and subsidized by it. It was, however, felt that these facilities met only a part of the training that was needed on account of cost involved and availability of a small number of seats at the College which was located at only one place. The Reserve Bank and the Government of India, therefore, jointly constituted in November 1953 a Central Committee for Co-operative Training for formulating plans and organizing and directing arrangements in regard to the training of personnel of the Co-operative Departments and Co-operative Institutions in the several States at all levels, viz., higher, intermediate and subordinate. The Reserve Bank has undertaken the responsibility in regard to the training of the higher and intermediate personnel, while the Government of India, in co-operation with the State Governments, have undertaken the responsibility for the training of the subordinate personnel. This Committee acts as a Committee of the Reserve Bank in so far as the training of the former two categories is concerned and as a Committee of the Government of India in regard to the training of the subordinate personnel. The progress achieved under the Scheme is reviewed below :—

(A) *Training of Higher Staff*:—(The financial responsibility rests with the Reserve Bank of India). The training of higher officials has been decided for the time being that it should be on an All-India basis at only one Centre, Viz., at Poona, where the existing facilities were to be suitably expanded, so as to provide training to about 35 to 40 candidates every six months as against 20 hitherto. The facilities at the Poona College have accordingly been expanded

(B) *Training of Intermediate Personnel*:—(The financial responsibility rests with the Reserve Bank of India). For the training of the intermediate personnel it was decided that there should be five regional centres, (including the one already existing at Poona), one each for the Southern, Western, Northern and Central Zones, each Centre training about 40 to 45 candidates every year. Five Centres have already been started under this Scheme at

Poona, Madras, Pusa, Meerut and Indore. The total number of candidates currently under training at these five centres were 294.

(C) *Training of Subordinate Personnel*:—(The financial responsibility is being borne by the Government of India). Arrangements for the training of Subordinate Co-operative personnel are contemplated on a Statewise basis. In this connection, the Central Committee, at its meeting held on 5th July 1954, finalized a scheme which since then has been approved by the Government of India. It has been circularized among the various State Governments, which have been requested to make specific proposals for the training of subordinate personnel on the lines approved by the Government of India. The proposals received from the various Governments were under examination.

(D) *Orientation Course for Co-operative Instructors in Village Training Schools*:—Recently, the Committee organized an Orientation Course at the Co-operative Training College, Poona, for the Co-operative Instructors of village extension training schools. Instructors from different States attended the Course, which lasted for about six weeks consisting of four weeks' theoretical and four weeks' practical training. The expenditure incurred in this connection was met by the Government of India.

(E) *Pilot Course of Training in Agricultural Marketing*:—Similarly, a Pilot Course of training in agricultural marketing was organized at the Co-operative Training College, Poona, for the benefit of candidates in the employ of various marketing institutions in the country. The course lasted for four months consisting of two months' theoretical and two months' practical training. The expenditure incurred in this connection is being met by the Reserve Bank of India. Thirty-seven candidates in all received training and they came from different States. These courses have now been continued on a permanent basis and so far 9 courses have been held and 270 trainees coming from all parts of India took advantage of the facilities afforded and the No. of trainees for the 11th session commencing from 15th March 1957 stood as 41.

(F) *Statement showing Loans and Advances*:—The following statement shows loans and advances granted to State Co-oper-

tive Banks in various States in the Indian Union under Section 17 of the Reserve Bank of India Act for the purpose of financing seasonal agricultural operations, marketing of crop or *bona fide* commercial or trade transactions, repayments made and outstandings at the close of the month of June 1955.

No. of States accommodated	Section of the R.B.I. Act	Amount of standing at the begin- ning of the month	Advances made dur- ing the month	Repayments during the month	Outstanding at the end of the month
16	17(4)(a)	329.33	218.21	92.15	455.39
	17(4)(c)	373.75	61.87	130.15	305.47
	17(2)(b)	47.30	30.50	15.50	62.30
	17(4)(a)	19.89	6.67	4.38	22.18
	Total Rs.	770.27	387.25	242.18	845.30

FOREIGN TRADE IN AGRICULTURAL COMMODITIES

Difference between Internal and International Trade

There are certain features which distinguish foreign from domestic trade of a country. The most important difference is that the forces of supply and demand do not operate so freely in determining international exchange of goods as in determining internal exchange. In other words as between two nations factors of production are not freely mobile.

Within a country labourers move freely from one industry to another and from one trade to another and this movement helps to bring about a certain uniformity in the level of wages throughout the country. But as between one nation and another this mobility is seriously hampered by a number of causes. There are a number of difficulties on account of language, customs, standard of life, climate, currencies, laws, etc. which come in the way of free movement. There are other difficulties as well arising on account of social and political customs etc. What holds good for labour applies also though in a small measure to capital. Even now people prefer to invest their money in their own country but require special facilities to invest it abroad. Thus considerable differences may result in the rate of earnings by capital as between one country and another. Within the same country on the other hand profits tend to approximate to the same level from place to place and from one industry to another. Free trade between one country and another is also hampered by various restrictions which the State imposes on the import of goods from another country. These restrictions usually take the form of import duties or quota system. Another complication is that payments in connection with foreign trade involve the conversion of one currency into another and give rise to problems connected with foreign exchange. What really distinguishes international trade from internal trade is the im-

mobility of the factors of production between different countries. If even in one country factors of production do not move somehow very freely from one part to another then from a purely economic point of view this trade should be classified as international trade. If on the other hand factors of production move freely between two politically independent States, economically speaking, it should be treated as internal trade.

The Theory of Comparative Costs

The theory of comparative costs is simply an application of the principle of division of labour in different countries. An individual can do a number of jobs or undertake to do a number of services but he cannot do them all alike. In some cases his performance will be less satisfactory than others. As an individual he would compare the incomes he would be able to get from the various jobs that he can do; he would naturally select the one which proves most lucrative. It means that for the satisfaction of his wants he has to depend on others for the services which he has decided not to do himself; take for instance the case of a professor; he may be able to teach his son who is reading in a lower class in a secondary school much better than any other teacher that may be employed for the purpose, but if the period that he devotes to the teaching of his son is utilised in the coaching of a student for a competitive examination he will get much more remuneration than he would be called upon to pay a teacher employed for coaching his son. This specialisation of functions is more remunerative. Each individual compares the costs and the incomes arising from the various jobs that he would undertake to do and of these he will select the one which is most remunerative or paying. This is in brief the theory of comparative costs applicable to an individual and could also be invoked in the case of international trade. Like an individual a country tends to specialisation in the production of those commodities in which it has got greater relative advantage. No doubt every country can produce a large variety of commodities but it does not produce them all because it would not be remunerative. It selects only those in the production of which the comparative costs are the least or in which it enjoys greater relative advantage and tends to import those articles in

the production of which it has greater relative disadvantage. Let us take a concrete case to illustrate the theory of comparative costs—

Commodity	Country X	Country Y
	Cost per maund	
Wheat	10	16
Cotton	25	48

In the above example it is seen that country X and country Y can both produce wheat and cotton but unless trade is made impossible between them because of their isolation or any other factor they will not produce both the commodities; both would specialise, one would specialise in the production of wheat which it finds more profitable and the other in the production of cotton for the same reason. X compares to itself the cost of production of both cotton and wheat and it finds that the cost of production of cotton is two and half the times cost of producing the wheat. Similarly, Y thinks for itself that the cost of production of cotton is thrice as much as cost of production of wheat. This comparison of cost between the two countries shows that in the production of cotton X has got greater relative advantage and it will, therefore, specialise in the production of cotton. Now coming to wheat it will be seen that the cost of production of wheat in country Y is 33.3 of the cost of production of cotton. While in country X it is 40%. Thus Y has got relative advantage in the production of wheat as compared with country X. It will, therefore, specialise in the production of wheat if international trade is established between these two countries X would get wheat from Y and would supply cotton in exchange even though it can produce wheat at less cost than Y. It is to its greater advantage that all its labour and capital are concentrated on the production of a commodity in which it has got greater relative advantage. It may be noted in this context that while comparing the costs we do not compare the cost of one commodity in the two countries but of the two countries in the same commodity and it is reasonable that if a country wants to specialise it will have to compare the costs and profits of the particular commodity that it can produce in order to discover its greater relative advantage.

Advantages of International Trade

1. International trade enables a country to obtain commodities which it cannot produce at all or can produce only with some difficulty.

2. It brings about a more efficient employment of the productive forces of the world since each country employs itself in producing those things in respect of which its capital and labour are relatively more efficient. Thus a country is able to obtain many commodities more cheaply than if it were to produce everything itself. We have already seen that the principle of comparative costs explains how this advantage is reaped.

3. International trade enables a country fully to exploit its natural resources which would remain unexploited in the absence of outlets abroad.

4. International trade by extending the size of the market and promoting division of labour and rationalisation of industry tends to lower the cost of production.

5. There are other advantages which are derived from international trade. Foreign commerce is found to have been a great instrument of civilization. Different nations come into contact with one another in the course of international trade and cannot help from learning from one another.

6. International trade is a principal guarantee of the peace of the world as international commerce first taught nations to look upon the prosperity and wealth of other nations as a chief source of their wealth and progress. But this belief of the free trade school of economic thought was shattered by the first world war which demonstrated that foreign commerce emphasizes international rivalries instead of promoting world peace. Still, however, enlightened opinion is in favour of maximum development of international exchange. Hence efforts are constantly being made to secure the removal of tariffs, quotas and exchange restrictions which stand in the way of international trade.

Disadvantages of International Trade

1. International trade sometimes leads to the sacrifice of the greater interest of the future to the smaller interest of the present.

Valuable natural resources which are limited and which in consequence require to be tapped economically may be exploited rapidly and wastefully for purposes of export.

2. International trade may make a country dependent upon other countries. This dependence is a grave matter in the case of essential commodities like food supply and means of defence in times of war.

3. International trade may seriously disturb the distribution of labour and capital in a country if foreign goods are allowed to be dumped into it, at considerably low prices.

4. International trade may often result in the importation of cheap and useless and even harmful commodities as the consumer cannot be considered the best judge of his own interests.

5. Unfettered foreign trade may adversely affect either the agricultural or the manufacturing groups of industries and thus lead to lop-sided development of the economic life of a nation.

On balance, however, it may be stated that the advantages of international trade far outweigh the possible disadvantages and that it is quite possible to minimise the disadvantages by proper regulation of foreign commerce.

Growth of India's Foreign Trade

From the earliest times known to history India has established trading relations with Egypt, Greece, Rome, China, Iran and Arabia. But this trade was in costly and rare commodities. The sea-route between the East and the West via the Cape-Of-Good-Hope gave a considerable stimulus to the sea borne trade of India with the Western countries. In the struggle that ensued for the capture of this trade among the Western nations, England succeeded and the East India Company eventually captured the foreign trade of India and became a power in the country. With the opening up of the Suez Canal in 1869 and with the construction of a net-work of railways and roads in the country, India's foreign trade began to expand rapidly. There were other factors such as the removal of internal customs barriers, the establishment of peace and order in the country and the development of mercantile marines in other countries which contributed to a great extent to the growth of foreign trade of India. For a long

time Great Britain in virtue of her political power had the lion's share of this trade but after the close of the last century other countries like Japan, Germany and the U.S.A. came in as serious competitors of Great Britain. Since the 1st World War Great Britain has been gradually losing ground though it still continues to dominate our import trade. The nature of India's trade also underwent a radical change and she came to export raw materials and food stuffs and to import finished goods during the last century. During the First World War our foreign trade received a rude set-back and it was even more adversely affected with the advent of the economic depression of 1930's. Our export trade revived in 1937 and there was, however, reversal of the upward trend in business in the following year which lasted till the early part of the year 1939. During the Second World War India's foreign trade was cut off by more than 50% as trade relations could not be maintained with enemy countries nor with neutral countries like Sweden and Switzerland because of their propinquity to enemy areas. During the war, trade was naturally subjected to numerous restriction dictated by military considerations and availability of shipping space and trade routes. At the close of the Second World War Japan and Germany went out of the picture in so far as foreign trade was concerned. India's trade relations with the U.S.A. have been during recent years hampered on account of the need for conserving foreign exchange as supply of India's dollars is limited.

Main Characteristics of India's Foreign Trade

Some changes in the character of our international trade have been in evidence since the First Great World War, to a smaller extent than before; we now export raw materials and import manufactured articles because of expansion of modern industries in the country. The most outstanding feature of our trade is that the bulk of our exports consists of food stuffs and raw materials while bulk of our imports consists of manufactured articles; owing to industrial development the proportion of manufactures to total exports is showing gradually an upward tendency. Prior to the Second World War raw materials headed the exports list but their place has been taken by finished goods in the next six years. This was partly due to the fact that India became

an important supplier of cotton textiles and other consumer goods to the Middle East. Another characteristic of our foreign trade is that while the import trade consists of a wide range of goods the export trade is restricted to comparatively great staples like raw cotton, jute, oils seeds and food grains. Another noteworthy feature is that Great Britain holds a predominant position in our import trade and lastly our foreign trade shows a favourable balance that is to say excess of exports over imports (in merchandise). (At the time of writing this book viz. 1955).

Our Foreign Trade in Agricultural Commodities

Exports—The importance of a commodity in the export trade of a country can be assessed in two ways. Firstly the percentage of exports to total production of that commodity may be considered and secondly the share of the commodity in the total amount of exports may also be taken into account. The following table gives the percentage of exports of certain principal crops to the average total production for the years 1937-38 and 1938-39.

TABLE NO. 1

Name of commodities							Percentage of exports to total production Average of 1937-38—1938-39
1.	Rice	...	...	...	...	...	1.5
2.	Wheat	...	...	...	...	...	3.6
3.	Tea	...	...	...	...	...	77.8
4.	Coffee	...	...	...	...	...	48.5
5.	Tobacco (Unmanufactured)	...	...	...	...	...	6.6
6.	Raw Cotton	...	...	...	...	...	50.0
7.	Raw Jute	...	...	...	...	...	62.7
8.	Linseed	...	...	...	...	...	60.3
9.	Rape and Mustard Seed	...	...	...	...	...	2.5
10.	Sesamum	...	...	...	...	...	2.0
11.	Groundnut	...	...	...	...	...	27.6

These percentages indicate that India used to export even before the war, a small quantity of rice and wheat although she herself was a deficit country. Of all the primary products exports of tea accounted for 77.8 of total production before the war and in the order of importance came raw jute, linseed, raw cotton, coffee,

groundnut, and tobacco. Measured in terms of value the percentages for the above commodities were as under:—

TABLE No. 2

Name of commodities	Percentage of value to the total value of exports in 1938-39
1. Grains and pulses	4.3
2. Tea	14.4
3. Coffee	0.5
4. Tobacco (Unmanufactured)	1.2
5. Oil Seeds	9.0
6. Raw Cotton	14.0
7. Raw Jute	8.2
8. Spices, and Condiments (Pepper, Cardmum & Ginger)	0.7

The commodities shown in Table No. 2 accounted for nearly 52% of the total value of exports during 1938-39.

Effects of Second World War

It has already been mentioned that India's foreign trade was adversely affected in many commodities. The loss of European markets on account of cessation of trade with Germany, France, Belgium and several other countries involved a loss of 66% of the pre-war export markets for Jute. The chief market for oil seeds also being Europe, the loss of European markets served to create a heavy accumulation of stocks in the oil seed markets in India. Japan used to absorb nearly 75% of raw cotton being the largest customer and this market was also lost when Japan entered the war in December 1941. The situation created as a result of loss of overseas markets was that it led to the curtailment of the area sown and to an increase in domestic consumption. The Bengal Government restricted the area under Jute during 1942 and 1943 to 1/3rd of the area sown in 1940. It is only in 1943 that it was raised to one-half of the area sown in 1940. Decrease in exports of cotton was similarly met by the curtailment of area under cotton as well as by increased consumption by mills in India. Further, the urgent need for increasing food production led to a restriction of acreages under Jute, Cotton and Oil seeds. Production of Vanaspati or vegetable ghee increased

both on account of defence as well as the expanding needs of the Indian market with the result that the exportable supplies of oil seeds were reduced on account of increased domestic requirements. In fact the production of groundnut actually increased during war years since it could be used both as food and as raw material for industries. Exports of cereals continued during the war years for the consumption of the Indian troops stationed in the Middle East but with increasing scarcity in the country exports virtually disappeared by 1946-47. As regards tea, India and Ceylon became the only sources of supply as supplies could no longer be obtained from Japan, China, Formosa and Netherlands, East Indies. In case of Tobacco also, the outbreak of hostilities cut off some of the important markets like China, Burma and Malaya.

Exports during the War Years

The following table shows the volume of exports of principal primary commodities during war years.

TABLE No. 3

Commodities	1939-40	1940-41	1941-42	1942-43	1943-44	1944-45
1. Raw Jute (1,000 tons) ...	570	248	315	248	178	160
2. Raw Cotton (1,000 tons) ...	526	387	257	54	50	57
3. Tea (in lakh lbs.)	3593.94	3494.90	3819.51	3259.01	4130.90	4073.50
4. Linseed (1,000 tons) ...	219	238	256	161	37	92
5. Groundnut (1,000 tons) ...	549	339	400	258	241	215
6. Rape seed (1,000 tons) ...	22	35	34	35	18	17
7. Sasamum (1,000 tons) ...	4	4	9	10	6	1
8. Castor seed (1,000 tons) ...	40	67	20	29	14	6
9. Grains and pulses (1,000 tons) ...	359	392	640	338	84	38
10. Tobacco (Un-manufactured) (in lakh lbs.)	576.27	703.60	620.18	370.77	160.22	126.82
11. Spices (1,000 Cwts.) ...	638	615	568	598	248	235
12. Coffee (1,000 Cwts.) ...	108	52	84	82	60	26

Exports in the immediate Post-war Period

The export of the Government of India in the immediate post-war period was influenced by the desire to retain a reasonable amount of supplies of export commodities for the domestic consumer and partly by the need to direct supplies to areas from where food purchases were made or to earn dollar exchange. The relaxation of export controls was gradually applied to such articles as were surplus to its domestic needs. While control over exports of a large number of non-essential commodities was resumed in July 1946 it was retained in the case of commodities like Jute, Oil Seeds, and long staple cotton; exports of groundnut were entirely prohibited in 1946-47. The export of raw Jute in 1946-47 formed only 32% of the total domestic production as against 1937-38 and 1938-39 average of 62.7%. Again the export of raw cotton in 1946-47 constituted 25.5% of domestic production as compared with the average for the 1937-38 and 1938-39 which stood at 5%. Likewise exports of linseed in 1946-47 amounted to only 15% of the total domestic production as against 1937-38 and 1938-39 average of 60.3%. Thus the exports of certain important primary commodities fell considerably in the immediate post-war period as compared with the pre-war years.

Effects of Partition on the Country

The partition of the country in August 1947 had disastrous consequences in that it reduced the agricultural resources of the country to a considerable extent. With only 70% of the pre-partition acreage under rice and 64% under wheat India had to face the problem of feeding 78% of its population that existed before partition, after the division of the country. The partition aggravated, therefore, the food shortage in the country, and it also involved the loss of nearly 40% of the total output of raw cotton and 78% of the total output of raw jute of undivided India. From the position of the world's largest producer and major exporter of raw cotton India became after partition a net importer of long staple cotton. Before partition India had a world monopoly in the production of raw Jute but as a consequence of partition India became a net importer of raw Jute also. Similarly, partition also meant the loss of about 7% of total output

of Tea of undivided India. Further, the partition brought about a mal-adjustment of its supply of land resources and demand for food and essential raw materials. Finally, it also converted what was previously internal trade in food grains, raw cotton and raw jute into foreign trade. On account of difficulty of getting supplies from Pakistan, India had to adopt a policy of self-sufficiency not only in food grains but also in raw cotton and raw jute as well. This necessity created the problem of proper allocation of the limited supply of land resources as between competing claims of food and raw materials for industry. The effect of partition was most marked in the case of raw cotton and raw jute. The exports of raw cotton in 1948-49 fell to 76,000 tons from 4,82,658 tons in 1938-39. In 1938-39, exports of raw cotton accounted for only 14.0% of the aggregate value of exports, while in 1948-49 it amounted only to 3.4%. In 1938-39 undivided India exported 6,90,350 tons of raw jute whereas in 1948-49 exports of raw jute amounted only to 2,13,603 tons. In 1938-39 raw jute constituted 8.2% of the total value of exports and this figure dwindled to 5% in 1948-49. The net effect of the war and partition of the country was the reduction in the proportion of primary products in India's export trade. This proportion, as we have already seen was 52.3% in 1938-39 and it had fallen to 28% in 1948-49. This was however, a blessing in disguise inasmuch as it led to larger domestic utilisation of primary products on account of industrialisation of the country. This was particularly noticeable in the case of raw cotton and oil seeds. While the exports of oil seeds in 1938-39 accounted for nearly 9% of the total value of exports the proportion was only 1.1% in 1948-49. As the overseas markets also were cut off during the war, the acute food shortage in the country brought about a reduction in the area under raw jute, cotton and oil seeds owing to the need for assigning more acreages for food crops.

Effects of the Korean War and the devaluation of the Rupee

Two events of importance which had the effect of giving a stimulus to the exports of primary products must be mentioned, viz. the devaluation of the rupee in September, 1949 and the declaration of war in Korea in 1950. The ostensible object of

the devaluation of the rupee was to correct the mal-adjustment in the balance of payments position by restriction of the imports and encouragement of exports particularly to hard currency countries. The following table gives the position in regard to exports of important primary commodities to the hard currency areas during the nine months preceeding and following devaluation.

TABLE No. 4

Name of commodities	Jan. 1949 to Sept. 1949		Oct. 1949 to June 1950	
1. Raw Jute (000 tons)	8.6	16.0
2. Tea (in million lbs.)	11.9	17.2
3. Raw Cotton (000 tons)	7.3	11.2
4. Black Pepper (000 Cwts.)	30.6	44.4
5. Groundnut (000 tons)	5.0	13.4

The following comparative statement shows the position in regard to exports of a few commodities like tea, groundnut, tobacco, pepper for a period of two years ending 31st March 1950.

TABLE No. 5

Name of commodities	1948-49 to 31st March		1949-50 to 31st March	
1. Tea (million lbs.)	405.9	441.5
2. Groundnut (000 tons)	38.3	126.0
3. Tobacco (unmanufactured) (million lbs.)	50.9	32.4
4. Pepper (000 cwts.)	141.0	312.6

These increases in exports were encouraged on account of our devaluation of currency. The outbreak of the Korean War and the stock piling of raw materials by the U.S.A. 'did' not result so much in the increase in exports of primary products from India but led to increases in their value e.g. exports of pepper declined from 312.6 (000 cwts.) in 1949-50 to 302.6 (000 cwts.) in 1950-51 but the value of exports of pepper rose from Rs. 14.5 crores in 1949-50 to Rs. 20.0 crores in 1950-51. Since the term-

ination of the Korean war and the switch over to the buyer's market all the world over India's trade policy has been governed by the promotion of exports and imports from the non-dollar areas have been allowed rather liberally but imports from the dollar areas are restricted to essential commodities only. The following table shows the proportion of exports of the more important primary products to total domestic production for the year 1948-49 and 1949-50.

TABLE No. 6

Name of Commodities						1948-49	1949-50
1.	Tea	...	...	...	...	72.4	N.A.
2.	Coffee	...	...	...	...	0.2	12.7
3.	Linseed	...	...	...	...	5.8	16.1
4.	Groundnut	...	...	...	...	1.1	4.4
5.	Caster seed	...	...	...	...	—	4.9
6.	Raw Cotton	...	...	...	...	19.9	17.7
7.	Raw Jute	...	...	...	...	72.1	40.2
8.	Tobacco	...	...	...	...	10.0	15.8

It will be seen from the above statistics that tea occupies a dominant place from the point of proportion of exports to total domestic production. Increase in exports has been sustained by increase in domestic production. The considerable amount of exports of Jute in 1948-49 can be explained by the fact that Pakistan Jute must have been passing through Calcutta for export. Owing to devaluation dispute with Pakistan the imports of Jute from that country have been reduced considerably and the Indian mills have been compelled to consume inferior jute in India. While India exports short staple cotton she imports long and medium staple varieties. Compared with pre-war years exports of oil seeds have been on the decline because of the rise in internal demand for groundnut and other oils for the production of vegetable-ghee or vanaspati. Exports of tobacco have been on the increase with the increase in domestic production. Exports of coffee have also recorded a rise on account of increase in domestic production.

The following table gives the percentage value of exports of important primary commodities to the total value of exports (excluding re-exports) during the years 1948-49 and 1950-51.

TABLE No. 7

Commodities					Percentages of exports	
					1948-49	1950-51
1.	Tea	...	...	...	15.3	18.6
2.	Coffee	...	...	...	0.2	0.2
3.	Oil Seed	...	...	...	1.1	2.6
4.	Raw Cotton	...	...	...	3.4	0.9
5.	Raw Jute	...	...	...	5.8	0.09
6.	Tobacco (unmanufactured)	...	...	...	1.4	2.2
7.	Spices	...	...	...	0.9	3.9

(N.B.—*Source of information*:—The Indian Journal of Agricultural Economics—Vol. 7—Issue for March, 1952. pp. 147). Among the primary commodities tea is the most important commodity earning foreign exchange. Next in importance are oil seeds and tobacco. The importance of raw cotton and raw jute has diminished because of domestic consumption. A change in the composition of our export trade has occurred. While the same commodities as figured in the pre-war period also figure to-day their relative importance has undergone an alteration. Tea is the most important commodity of our exports to-day while it was raw cotton previously. Spices have also recorded a rise due to increase in production and rise in price. Other commodities which have gained in importance are manufactured tobacco and oil seeds.

The Direction of India's Foreign Trade

In the direction of our trade also certain changes are noticeable; some of the old markets have been lost or have been reduced in importance; while some countries which were taking negligible quantities in the pre-war periods have increased their shares to significant proportions. In tea, the United Kingdom was our largest customer and used to take the largest percentage viz. 88% but it has steadily reduced its share to 50% in 1950-51. The U.S.A. and Canada have increased their shares to 10 and 5% respectively from 2 and 3% in 1950-51; certain other countries like Eire, the U.S.S.R., Egypt and Australia have raised their shares. In raw cotton our principal markets in the post-war periods have been the U.S.A., Japan, China, Belgium, and U.K. The U.S.A. is a new customer and trade with Belgium has grown in importance. The off-take of the U.S.A. in

1950-51 was 44% and of Belgium it was 23% in 1949-50. Japan's share was 30% in 1949-50 but it fell to 6%. France and Germany have been lost but other markets are retained. In regard to raw jute the U.K.'s share has been always the largest percentage of our exports followed closely by Germany. This percentage fell to 17 during 1949-50 as against 26 of the preceeding year. But Germany increased her share to 16% from 6% while Belgium increased hers to 21% from 7% during 1949-50. As regards tobacco the U.K. has been our principal market and in the post-war period the percentage of her off-take has risen. In 1949-50 it was 71% but it fell to 59% in 1950-51. Raw wool is usually exported to the U.K. and the U.S.A. In 1949-50 their shares were 52 and 32% respectively. Under oil seeds groundnut and linseed are our chief exports and in groundnut European countries like Netherlands and France have played a larger role than U.K. ; France's percentage in 1950-51 was 19. The loss of German markets has been compensated by the arrival of Switzerland on the scene with an off-take of 53% in 1950-51. In linseed the U.K.'s share was the largest till 1947-48 but it came down to almost nothing in 1950-51. Australia has continued to remain our customer from the pre-war list and her share has been on a higher scale in the post-war period. It's off-take was 23% in 1950-51 as against 6% in the pre-war period. In the case of spices, pepper has loomed large because of considerable spurt in prices that has prevailed since 1947-48. The U.S.A. and the U.K. are our principal markets. In 1949-50 the percentages of off-take were 50 and 24% respectively. Chillies rank next in importance but most of the exports are to Ceylon other countries taking negligible quantities. The above analysis shows that from the point of view of our export trade in agricultural commodities the U.K. is the most important market, our trade being 30 to 40% with that country. Next in importance is the U.S.A. whose share ranged between 13 to 16% in the years 1949-50 and 1950-51. The shares of Canada and Australia ranged between 3 and 4% and other countries had shares less than 2%.

Agricultural Production in the First-Five Year Plan

In order to achieve self-sufficiency in production of food and commercial crops agricultural production was stepped up in the

First Five Year Plan dominant emphasis being laid on the production of cereal crops. Programmes for agricultural development were given the central place in the plan. The outlay provided in the plan for agricultural development was 218 crores. The following statement shows the comparative position in regard to the production of primary commodities in the base year which is taken to be 1949-50 for food grains and for other crops it is 1950-51 and the targets fixed during the First Five Year Plan.

Commodity	Unit	Production in base year	Estimated production in 1955-56	Production in 1954-55
1. Food grains	Million tons	54.0	65.0	65.8
2. Major oil seeds	"	5.1	5.5	5.9
3. Sugar Cane (Gur)	"	5.6	5.8	5.5
4. Cotton	Mill. bales	2.9	4.2	4.3
5. Jute ...	"	3.3	4.0	2.9

These targets of additional production in food grains have been worked out from different sources such as irrigation, more intensive use of fertilizers, supply of improved seeds, and programmes of land reclamation and development. The additional area brought under minor irrigation was of 10 million acres. The consumption of Ammonium Sulphate rose during the period of four years from 2,75,000 tons to 6,10,000 tons. More than 1 million acres of land were reclaimed through the Central Tractor Organisation and 1.3 million acres through State Tractor Organisation. About 3 million acres have been developed through land development measures including mechanical cultivation bunding, levelling and reclamation of land by manual labour. The total crop area increased from 326 million acres to 350 million acres in 1954-55. The area under food crop rose from 257 million to 270 million acres and under commercial crops from 49 million to about 60 million acres. The area under other crops viz. 20 million acres has shown little change. The area under commercial crops has increased from 15% of the total cropped area to 17% while the area under food crop has decreased from 79 to 77% of the aggregate cropped area.

Cultivated Area and Production of Principal Crops

The following table shows the area under principal food crops and non-food crops for a period of 4 years ending 1954.

*A.—Food Crops**(in thousand acres)*

Year	Rice	Wheat	Other cereals	Gram	Ground-nut	Sugarcane
1951	76,135	24,082	93,097	18,706	11,016	4,217
1952	73,713	23,404	95,949	16,876	12,152	4,792
1953	74,209	24,285	1,04,665	18,014	11,850	4,272
1954	76,646	26,098	1,07,621	18,893	11,356	3,598

*B—Non-Food Crops**(in thousand acres)*

Year	Cotton	Jute	Other oil seeds	Tobacco
1951 ...	14,536	1,951	15,402	883
1952 ...	16,201	1,817	16,722	713
1953 ...	15,693	1,196	15,811	895
1954 ...	17,027	—	16,242	890

The following tables show quantities of principal crops grown in India for a period of 4 years ending 1954.

*A.—Food Crops**(in thousand tons)*

Year	Rice	Wheat	Other cereals	Gram	Groundnut shelled	Sugarcane Sugar Gur
1951	20,251	6,360	15,133	3,593	3,426	5,615
1952	20,964	6,085	15,806	3,334	3,142	6,000
1953	22,495	7,383	19,225	4,165	2,834	5,019
1954	27,079	7,792	21,259	4,551	3,772	4,614

B—Non-Food Crops

Year	Cotton 000 bales	Jute 000 bales	Oil seeds 000 tons	Tobacco 000 tons
1951 ...	2,910	4,678	1,650	257
1952 ...	3,133	4,605	1,791	206
1953 ...	3,131	3,128	1,762	241
1954 ...	3,935	—	1,819	256

From the above statistics it will be seen that broadly speaking the targets set in the plan for food grains, cotton, and oil seeds have

either been achieved or even exceeded during the first 4 years. Production of sugar cane and jute have been behind the schedule. Owing to the large increase in food grains there has been a great reduction in imports resulting in considerable saving of foreign exchange. During the years 1953 and 54 there was a saving of Rs. 6 and 130 crores respectively. Owing to increased production in cotton imports dwindled from 12.4 million bales in 1951-52 to 6.6 million bales in 1953-54. Similarly, production of oil seeds (groundnut, sesamum, rape and mustard, linseed and castor seed) rose to 5.6 million tons during 1953-54 crossing the target figure within 3 years of the plan period. In order to promote improved production and marketing central committees have been established for important commodities like cotton, sugar cane, oil seeds, tobacco, cocoanut and Arcanaut.

(1) *Indian Central Cotton Committee* :—With a view to meeting the deficiency of long staple cotton the Indian Central Cotton Committee has been trying to evolve suitable strains of this variety and to popularize the same in the country. At the institute of the plant Industry, Indore, which is jointly financed by the Central Cotton Committee and the Madhya Pradesh Government, important research in the botany, physiology, breeding and genetics of cotton is undertaken.

(2) *Jute Committee* :—Research and extension work on jute is undertaken on behalf of the Indian Central Jute Committee by (i) the Jute Agricultural Research Institute, (ii) the Technological Research Laboratories, (iii) the Economic Research Section and (iv) the Publicity Section. The Committee also sponsors schemes of fundamental research at the University of Calcutta, the Bose Research Institute and the Presidency College, Calcutta.

(3) *Oil seeds Committee* :—An important scheme sponsored by the Indian Central Oilseeds Committee, aims at assessing the relative nutritive values of oil cakes obtained by the expeller and ghani processes. The scheme is in progress at Izzatnagar.

(4) *Sugar-cane Committee* :—The Indian Institute of Sugar Technology at Kanpur was established in 1936 and is now maintained by the Indian Central Sugar-cane Committee. It conducts research in sugar technology, renders technical assistance to factories and trained students. In recent years, the Institute has tried

to find out whether the use of sulphur can be eliminated in the production of white sugar.

(5) *Coco-nut Committee*:—The Indian Central Coco-nut Committee has two research stations at Kasaragod and Kayangulam and four regional stations (three in Travancore-Cochin and one in Orissa) which conduct research on the coco-nut. The Kasaragod station has a nursery which proposes to grow 10,000 seedlings annually.

(6) *Areca-nut Committee*:—The Indian Central Areca-nut Committee subsidises a number of research schemes. The regional areca-nut research stations in Mysore, Travancore-Cochin and South Kanara have been started with the help of the Committee.

The following table shows the value of imports and exports to some of the principal countries by sea, air and land in 1952 and 1953.

<i>Exports</i>						<i>In crores of Rs.</i>	
						1951-52	1952-53
1.	U.K.	...	...	...	...	125.76	148.14
2.	U.S.A.	...	...	...	...	116.49	95.03
3.	Japan	...	...	...	...	25.20	25.88
4.	Burma	...	...	...	...	23.40	20.45
5.	Australia	...	...	...	...	23.45	15.97
6.	Canada	...	...	...	...	12.74	18.92
7.	Other countries	...	...	...	...	286.24	203.48
Total						613.37	522.87
Re-exports						5.68	5.76
Grand Total						619.5	528.63

<i>Imports</i>						<i>In crores of Rs.</i>	
						1951-52	1952-53
1.	U.K.	...	...	...	...	148.97	140.43
2.	U.S.A.	...	...	...	...	272.66	89.52
3.	Japan	...	...	...	...	19.41	12.46
4.	Burma	...	...	...	...	31.08	18.24
5.	Canada	...	...	...	...	29.66	18.92
6.	Australia	...	...	...	...	15.10	26.56
7.	Pakistan	...	...	...	...	29.14	19.48
8.	Italy	...	...	...	...	11.46	20.90
9.	West Germany	...	...	...	...	24.19	28.79
10.	Egypt	...	...	...	...	20.11	21.74
11.	Kenya Colony	...	...	...	...	19.07	16.00

<i>Imports</i>	<i>In crores of Rs.</i>	
	1951-52	1952-53
12. Behrin Islands	17.26	17.63
13. Singapore	13.77	14.56
14. Saudi Arabia	15.73	13.38
15. Netherlands	12.96	11.28
16. France	13.03	10.54
17. Other Countries	107.90	85.79
	801.56	566.17
Less transit Trade	32	15
Grand Total	801.24	566.02

(Source of information—India 1955).

The position of imports and exports in agricultural commodities after 1949-50 including wool by sea, air and land is given in the following statements.

(in crores of Rs.)

	1950-51	1951-52	1952-53
A—Imports			
1. Fruits and Vegetables ...	13.66	13.90	13.74
2. Grams, pulses ...	80.75	230.30	156.79
3. Raw Cotton	100.77	137.18	76.67
4. Raw wool	5.62	2.60	0.71
5. Raw jute	27.57	67.07	16.48
B—Exports			
1. Tea in million lbs ...	442	429	428
value in crores of Rupees ...	80.42	93.86	80.98
2. Pepper in 000 tons ...	308	298	246
3. Pepper value in crores of Rs.	20.40	23.22	15.96
4. Cardamums (in 000 cwts.)	12	14	19
value in crores of Rs. ...	1.48	1.64	1.64
5. Onions (000 cwts.)	1156	925	659
value in crores of Rs. ...	1.15	1.07	1.12
6. Tobacco unmanufactured (in million lbs.) ...	103	112	79
value in crores of Rs. ...	14.11	16.14	12.66
7. Groundnut seed (in 000 tons.)	38	20	13
value in crores of Rs. ...	3.57	2.35	1.40
8. Castor seed (000 tons)	79	1	4
value in crores of Rs. ...	5.92	0.16	0.38
9. Linseed (in 000 tons) ...	68	7	—
value in crores of Rs. ...	5.67	0.70	0.52
10. Raw Cotton (000 tons) ...	15	23	77
value in crores of Rs. ...	4.94	13.08	19.32
11. Cotton waste (000 tons)	1307	623	1257
value in crores of Rs. ...	12.41	7.35	9.62

(Source of information — India 1954)

The following table shows the value of imports and exports of merchandise to some of the principal countries by *sea* and *air* only during 1953-54 and 1954-55.

						<i>In lakhs of Rs.</i>	
						1953-54	1954-55
<hr/>							
(1) <i>Exports</i>							
(i)	U.K.	...	...	...	...	15,008	18,475
(ii)	U.S.A.	...	...	...	...	8,995	8,738
(iii)	Japan	...	...	...	...	2,314	1,506
(iv)	Burma	...	...	...	...	2,080	1,585
(v)	Australia	...	...	...	...	1,746	2,445
(vi)	Canada	...	...	...	...	1,311	1,737
(vii)	Other Countries	...	...	...	...	20,381	22,684
Grand Total ...						51,835	57,230
<hr/>							
(2) <i>Imports</i>							
(i)	U.K.	...	...	...	...	14,498	14,688
(ii)	U.S.A.	...	...	...	...	8,005	8,161
(iii)	Japan	...	...	...	...	1,322	1,891
(iv)	Burma	...	...	...	...	1,750	5,733
(v)	Canada	...	...	...	...	1,414	1,018
(vi)	Australia	...	...	...	...	2,583	1,955
(vii)	Pakistan	...	...	...	...	26	63
(viii)	Italy	...	...	...	...	2,384	1,942
(ix)	West Germany	...	...	...	...	3,159	3,873
(x)	Egypt	...	...	...	...	2,770	1,968
(xi)	Kenya Colony	...	...	...	...	1,532	1,839
(xii)	Belrin Islands	...	...	...	...	1,706	2,021
(xiii)	Singapore	...	...	...	...	1,035	1,555
(xiv)	Saudi Arabia	...	...	...	...	1,482	55
(xv)	Netherlands	...	...	...	...	1,142	1,359
(xvi)	France	...	...	...	...	994	1,395
(xvii)	Other Countries	...	...	...	...	8,420	11,549
Grand Total ...						54,912	61,000
<hr/>							

Imports and exports are both at present controlled and regulated by Government. The basic objectives of the import control policy are (1) to limit the aggregate imports to the total available foreign exchange earnings, (2) to distribute the available foreign exchange in the most equitable manner among the commodities for the planned development of agriculture and industry, and the essential requirements of consumers. The chief objectives of export control are (1) to encourage exports consistent with internal requirements in such a manner as to further the economic development of the country, (2) to direct the flow of exports as far as possible to countries of the dollar and other hard currency

countries, (3) to encourage the export of processed or manufactured goods rather than raw materials, (4) to conserve the supplies for internal consumption of those commodities which are in serious shortage.

A large surplus of exports over imports used to be a feature of India's foreign trade in the past. This was necessary to enable her to meet her external obligations such as interest, on sterling loans raised in England, Home charges, Dividends payable by foreign companies working in India, Commission earned by foreign banking and other insurance companies, and freight charges payable to foreign shipping companies. India's present problem is how to maintain a sufficient volume of exports to pay for the variety of foreign goods which she must obtain to increase her production. It was expected that during the period of First Five Year Plan there would be higher production of agricultural raw materials which would provide exportable surpluses resulting in an increase of our earnings of our foreign exchange, moreover, the development of industries would provide new lines of export. There was also a proposal to increase the volume of exports by means of zonal and bilateral trade agreements. But in the present circumstances the scope of such agreement appears to be limited.

The State Trading Corporation and the Co-operatives

A committee was set up some time ago by the Union Government to examine the recommendations of the Report of the Committee on State Trading (Punjabrao Deshmukh's Committee). On the recommendations of this committee the Union Government favoured the establishment of a State Trading Corporation with a limited objective mentioned in paragraph 114 of the report of the Committee on State Trading. The Committee on State Trading has recommended that wherever producers have organised themselves into a co-operative society whether for internal distribution or for foreign trade they should be given all possible assistance and encouragement by Government and that measures should be taken to promote the establishment of more such organisations in the country. In the case of cottage industries products as well as other exportable commodities the Corporation that is set up can make direct arrangements with co-operative societies of producers to obtain exportable surpluses :

it can similarly use co-operative societies of consumers to regulate the distribution of imported commodities. In the opinion of the Committee, this can best be done by setting up a net-work of co-operative consumers' stores with an apex store in each State directly linked up with the State Trading Corporation. Since 51% of the capital of the proposed Corporation is going to be controlled by the State only 49% would be the balance left to be subscribed by the private sectors of investors. If the co-operatives of consumers and producers are to be effectively co-ordinated with the work of the Corporation it is necessary that they should be permitted to subscribe to at least 50% of the remaining 49% share capital, and should have adequate representation on its management as well. In order to promote the development of internal trade it is necessary that inter-state Boards which are representatives of co-operative societies should be set-up to direct the flow of marketable surplus not only within the country but also outside it. Single commodity societies like fruit sale, cotton sale, gur sale, etc. as distinguished from societies handling a few related agricultural products would do well to form an apex organisation of their own in each State and such State organisations should be federated into an exchange on an All-India basis for that commodity. These institutions should then be linked up with the State Trading Corporation for the purpose of securing the allocation of quotas in foreign trade. In the case of general type of marketing co-operative handling a few agricultural products, it is the state or the apex society in each State that would be in a position to channelise the exportable surpluses to the State Trading Corporation. In order to develop internal trade also among co-operatives it would be necessary to establish intra-State Co-operative Boards. With the implementation of the recommendation of the Committee of Direction of the All-India Credit Survey, the co-operative movement would receive considerable fillip in the coming years and would be naturally in a position to handle the export trade in agricultural commodities if a liberal allotment of exportable quotas were made in the case of marketing co-operatives by the Union Government.

It is learnt that in pursuance of their policy the Government of India have set up a State Trading Corporation. The Corporation is a private limited company and it was registered on the 18th May, 1956 at New Delhi under the name of

“The State Trading Corporation of India (Private) Ltd.”. It has an authorised capital of 1 crore of rupees divided into 1 lakh shares of rupees 100 each. The subscribed capital would be Rs. 5 lakhs the whole of which would be owned by the Government of India. The aims of the Corporation as set out in the memorandum of association are to organise and effect exports from and imports into India of all such goods and commodities as the company may from time to time determine and the purchase, sale, and transport of any general trade in such goods and commodities in India or anywhere else in the world and to do all such other things as are incidental or conducive to the attainment of objective. The Joint Secretary to the Ministry of Commerce and Industry has been appointed to be Chairman of the Board of Directors and another Joint Secretary of the same Ministry as Managing Director of the Corporation. Other members of the Board include the Joint Secretary, Ministry of Finance, the Director-General of Shipping, the Director-General of Supplies and Disposals and one director of Railway Board. The registered office of the company is at New Delhi.

Recommendations of the Conferences on Marketing and Co-operation

It would be interesting in this context to make mention of the recommendations adopted by the conference on Marketing and Co-operation held at Jaipur from 3rd to 5th February 1956, in regard to inter-state and export trade by marketing co-operatives. These recommendations are similar to those adopted by a similar Conference on Marketing & Co-operation held earlier at Hyderabad from 27th to 29th November, 1955.

The recommendation are :—(a) Inter-State trade

1. To promote inter-state trade on a co-operative basis, marketing co-operatives in surplus areas should establish business contacts with consumer societies in deficit areas. For this purpose, the marketing and consumer societies should exchange information regarding supply, stocks, prices, etc. It is also desirable for the State Governments, to compile information regarding consumer societies and dealers operating in their areas and to furnish these details to the producers' marketing societies.

2. In order to encourage producer societies to establish such contacts with consumer societies or to encourage them to open

depots of their own in bigger markets like Calcutta, Delhi, Bombay etc., Government may give financial and such other assistance as may be necessary. In the meanwhile, the State Governments concerned with these large consuming centres should render every possible assistance to the producer societies in order to enable them to sell direct to the consumers.

3. Since individual primary societies may find it difficult to develop inter-state and export trade by themselves, the apex marketing society will assist them in this matter. Until these organisations are firmly established, the appropriate Department in different States should make necessary arrangement for collections and exchange of information regarding prices, supply, etc. and assist the co-operatives to take full advantage of such information.

(b) Export Trade

1. As part of the programme of helping the grower to secure a better price for his produce, the Government of India should encourage export of agricultural commodities by co-operative societies by earmarking progressively increasing export quotas to them. The Registrar of co-operative societies should recommend to Government of India in the Ministry of Food and Agriculture names of suitable co-operative organisations operating in the State, the commodities with which they are dealing and the extent to which they can export the various commodities. These lists will be subject to revision from time to time on the basis of performance of the societies in this regard.

2. In recommending suitable co-operative societies for export quotas, the State Governments should take suitable precautions to ensure that the quotas are fully utilized for the benefit of primary producers, who are members of co-operative marketing societies, and that co-operative societies, to which quotas have been allotted, do not transfer or sell them to private traders and also that they do not purchase from the open market for fulfilling the quotas.

3. As the marketing co-operatives engaged in foreign trade may require guarantee and other assistance from banking institution, the State Bank of India may give them the necessary help in this direction.

CHAPTER XIV

THE STATE IN RELATION TO AGRICULTURAL MARKETING IN INDIA

Abandonment of a policy of *laissez faire* by Government.

Till the advent of the economic depression of 1930's the principle of *Laissez faire* dominated State policy in economic matters in most countries. The depression affected all countries and all occupations alike resulting in widespread unemployment and distress on a large scale. Its impact was more severe on agricultural countries than on industrial ones. Agriculture being less organized than industry the fall in agricultural prices was steeper while the volume of agricultural production remained stationary. Even before the onset of the depression, disparity had set in, in most countries between the cost of production and agricultural prices making the lot of the agriculturist already hard. The fall in the prices of agricultural products during the period of the depression shattered the agricultural economy of most agricultural countries still further and made all hopes of recovery impossible without State help. This compelled most Governments to change their outlook towards agriculturists as a class. They had to give up their traditional policy of non-intervention in order to arrest the fall in prices and to shorten the period and severity of the depression. The measures taken varied widely according to the characteristics of each country's economy. The more important measures adopted by Governments to help the farmers were those relating to restriction of production and holding surplus stock off the markets. In some cases the State itself, purchased a greater portion of the surplus stock, provided storage facilities and granted loans and subsidies to help the farmer out of the difficulty. Even in an industrially advanced country like England minimum prices were guaranteed for several agricultural products and Government itself paid the difference between the minimum guaranteed price and the price realized in the market. Along with the price factor, problems of agricultural marketing began to receive the serious consid-

ration of Government with gradual realization of the fact that the farmer labours under severe handicaps without a developed system of agricultural marketing. In order to place this side of agricultural activity on a sound basis, the Agricultural Marketing Act of 1931 was passed in Great Britain. Under this Act it became possible for the first time to formulate and operate schemes for the reorganisation of agricultural marketing in England. In 1933 a further Agricultural Marketing Act was passed. These Acts authorized any individual or group of individuals to satisfy the Minister of Agriculture that they substantially represented producers of an agricultural product and to submit a scheme for regulating the marketing of that product in that area. The product may be either primary such as beef, hides, eggs or oats or secondary such as refined sugar or canned peas. Similar measures to improve the economic status of the agriculturist-producer in the U.S.A. began to receive the attention of the Federal Government. The first serious attempt to relieve the farmer from low prices was the passing of the Agricultural Marketing Act of 1929. The objects of the Act were to promote orderly marketing, to minimize speculation, and to stabilize the movement of prices. As a part of the comprehensive programme for assisting agriculture, the Act created the Federal Farm Board and placed at its disposal a huge sum of 50 crore dollars to form a revolving fund from which loans could be made to co-operatives for various purposes. The Act also provided for price insurance to co-operatives and for the creation of stabilisation corporations to handle surplus agricultural products. The policy of stabilising prices by the farm Board by making produce-pledge loans to co-operatives and by withholding stock from the market proved abortive as the Federal Farm Board had no effective means of controlling production, and in the absence of plans for alternate uses of the land, farmers could not curtail production and the large volume of agricultural products could not, in consequence be sold at remunerative prices.

In order to deal effectively with some of the problems which the Agricultural Marketing Act had failed to solve, the Agricultural Adjustments Act of 1933 was passed. Under this Act, average allotments for growing corn, wheat, tobacco, cotton, rice, etc. were made and marketing quotas fixed to avoid surplus pro-

duction. Parity prices for certain agricultural products were also made and allowed to those who planted crops within their allotments. Further, the Farm Credits Acts of 1933 and 1935 brought under one administration, many Federal Farm Agencies including the Federal Farm Board, the Farm Credit Administration and the Intermediate Credit Banks. The Farm Credit Act of 1933 also established Banks for co-operatives, a Central Bank for co-operatives in Washington D.C. and 12 district Banks. Three types of loans were made: (i) physical facility loans, (ii) Working capital loans, and (iii) commodity loans. These financial agencies received considerable financial aid from the Federal Government.

The National Farm Credit set-up consists of the Farm Credit Administration and 12 district organisations one in each "Farm Credit" district. Each district has 4 permanent organisations to disburse three types of credit needed by farmers: (1) a Federal Land Bank, (2) a Production Credit Corporation, (3) a District Bank for Co-operatives, and (4) a Federal Intermediate Credit Bank. All these four bodies are located in the same city and have a common board of directors technically known as the council of farm credit administration of the district. The farm credit administration is headed by a Governor, 4 commissioners and various heads of the Division. The basic idea of initiating most of these far-reaching measures and of creating the various agencies to implement them was that of providing Government loans to farmers who lacked adequate security for obtaining loans through the ordinary agencies. "As the steps were taken one after another the Government was carried more and more deeply into the farm credit field and the general attitude of the congress and the farmers with respect to self-support on part of the agricultural credit agencies was modified". The next important piece of legislation was the Agricultural Marketing Agreement Act of 1937. The Act empowered the Federal Department of Agriculture to enter into a specific agreement with persons handling certain specified products such as milk, fruits, tobacco, vegetables, etc. The Act also laid down the conditions with regard to the fixation of prices, the determination of base period for such fixation and several other allied matters. The Secretary to the Department of Agriculture was also authorized

under the Act to issue orders applicable to specific regional areas regarding the methods of handling, fixation of prices, etc. Next came the United States Warehouse Act for providing the establishment of warehouses for agricultural products. This Act is administered by the Department of Agriculture. Another important piece of legislation under the United States Department of Agriculture is the Commodity Exchange Act. This Act controls trading in futures and is under the administrative control of the food distribution administration of the Department. Another Act which the Department of Agriculture in its marketing section administers is the Federal Seed Act which provides for the sales and distribution of seeds of proper variety and purity and for their proper inspection and sampling. The same section of the Department of Agriculture enforces another Act known as the Produce Agency Act which prevents the destruction or dumping without sufficient cause of farm produce, in the inter-State commerce by commission merchants and others. This Act further enjoins on the merchants, maintenance of proper accounts for the farm produce received by them. Another useful piece of legislation is the Perishable Agricultural Commodity Act. Under the provisions of this Act unfair and fraudulent practices in the marketing of perishable agricultural commodities in inter-State and foreign commerce are prohibited.

Similarly, in agricultural countries like Australia, New Zealand, the Union of South Africa and Canada varied legislations exist to protect the interests of the farmer-producer and to promote the development of marketing of agricultural products so as to meet the requirements of domestic and export markets. Among the more important legislative enactments passed in Canada may be mentioned the Agricultural Products Co-operative Act of 1939 which was passed to encourage the co-operative sale of farm products. Under this Act the Dominion Government guarantees to any co-operative organisation of producers of agricultural products except wheat, or processors, entering into an agreement with the Department of Agriculture an initial payment as an advance against a farm commodity up to 80 per cent of the average wholesale price of that commodity for a period of 3 years immediately preceding the year of production. The actual amount to be advanced is required to be arranged between the

Government and the selling agency and the selling agency is required to make an initial payment as per the agreement. If the average price realized by the sale of the product were less than the initial payment made to the producer, the Dominion Government paid the difference between the selling agency and the Government. Wheat being the main crop of the country separate Acts have been passed with a view to control its marketing.

Origin of the Central Agricultural Marketing Department and creation of marketing staff at the Centre, in the Provinces and States.

As mentioned earlier, elsewhere, the financial position of the Indian farmer also had been precarious during the years following the depression. The seriousness of the fact that the marketing of his produce constituted a real problem had hardly been realized in India until the Royal Commission on Agriculture specifically pointed out that the Indian farmer was labouring under serious disabilities exposed as he was to exploitation at the hands of the well-organised bodies of merchants, commission agents and financiers. The Commission analysed the fundamental defects in the existing system of agricultural marketing in India and emphasized the need for undertaking exhaustive marketing surveys as a preliminary to further action. The recommendations of the Commission were later endorsed by the Central Banking Enquiry Committee. Accepting the recommendations of the Commission, the Government of India after consulting the advisory body of the Imperial Council of Agricultural Research, which concurred with the opinion of the Royal Commission, constituted in the year 1935, a Central Agricultural Marketing Department with an expert marketing Adviser as its head and a suitable number of officers and staff to assist him; simultaneously, the provincial and the State Governments also organized their marketing staff who were expected to work in collaboration with the Central Marketing Staff. The expenditure on the marketing staff in the provinces and the States was partly met by an annual subsidy of 2 lakhs granted by the Central Government. The Central Agricultural Marketing Department was in the first instance created for a period of 5 years and its term has been extended from time to time. The Patel Com-

mittee appointed by the Government of India recently recommended *inter alia* that in order to avoid the duplication of work and to promote specialisation in certain aspects of the work the compilation of statistics and dissemination of marketing news, done by the marketing staff should be transferred to the newly created Directorate of Economics and Statistics of the Ministry of Agriculture. It further recommended that the work done by the Inspection Directorate of the Ministry of Food should be transferred to the Marketing Department. Thus the Inspection Directorate of the Ministry of Food was merged in the Central Agricultural Marketing Department and the joint organisation has been styled as the Directorate of Marketing and Inspection of the Ministry of Agriculture.

(2) (a) The Marketing Sub-Committee of the Policy Committee on Agriculture, Forestry and Fisheries considered that the staff both at the Centre and the States was inadequate for discharging their responsibilities and recommended that the Directorate of Marketing and Inspection should consist of 260 Technical Officers and Staff and 332 members of ministerial and menial staff on a permanent basis. Chart I given at the end of this chapter gives an idea of the reorganised structure proposed by the Sub-Committee. It further recommended that in order to constitute a self-contained Marketing Department or Section, each State should have a Marketing Officer, a Deputy Marketing Officer, 6 Assistant Marketing Officers and 12 Inspectors for dealing with minor items of marketing work on a permanent basis, (*vide* Chart II appended at the end.). In the year 1950 the Directorate of Marketing and Inspection was included in the Secretariat service.

This organisation is an attached office of the Ministry of Food and Agriculture with the following establishments—

- (i) Directorate of Marketing and Inspection at Headquarters.
- (ii) Fruit Products Organisation at Headquarters with regional establishments at Bombay, Calcutta, Madras, Lucknow and Amritsar.
- (iii) Ghee Inspectorate at Headquarters and at outstations viz. Rajkot, Calcutta and Madras.

- (iv) Central Control Laboratory (Ghee, Butter, Oils and Gur) at Kanpur.
- (v) Subsidiary Control Laboratory (Ghee), Rajkot.
- (vi) Panel of Ghee Chemists at the laboratories of authorised packers at various centres in Uttar Pradesh and Bihar.
- (vii) Sann Hemp Inspectorate with Headquarters at Shiupur (Banaras) and local Inspectorates at Vizianagram and at the port towns of Bombay and Calcutta.
- (viii) Tobacco Inspectorate with Headquarters at Guntur and local Inspectorates at Anaparti, Biccavole, Chilakaluripet, Chirala, Madras, Visakhapatnam and Veta-palem.
- (ix) Wool, Bristles and Goat Hair Inspectorate with Headquarters at Beawar and local Inspectorates at Kanpur, Jabalpur, Bombay, Rajkot, Bikaner, Delhi and Fazilka.
- (x) Central Wool Testing Laboratory at Bombay.

The entire Directorate and its subordinate offices are under the over-all control of the Agricultural Marketing Adviser. At Headquarters the officers' ranks are divisible into a technical unit and an administrative unit. The administrative unit comprises the Agricultural Marketing Adviser, the Deputy Agricultural Marketing Adviser and the Administrative Officer. The Agricultural Marketing Adviser exercises all administrative and financial powers of a "Head of Department". He is also statutorily responsible for the administration of the Agricultural Produce (Grading and Marking) Act, 1937, and the Fruit Products Order, 1948. The Deputy Agricultural Marketing Adviser assists the Agricultural Marketing Adviser by relieving him of all the routine administrative, technical and executive work at Headquarters. The Administrative Officer is in immediate charge of the ministerial staff at Headquarters.

The technical unit is composed of 6 groups, each under a Senior Marketing Officer, Class I Officer in the Senior Scale, each assisted by a varying number of Marketing Officers in Class II. There is a separate unit for the administration of the Fruit Products Order, 1948, under a Development Officer

who is also a Class I Senior Scale Officer. The total strength of the Directorate consists of 1 Agricultural Marketing Adviser, 1 Deputy Agricultural Marketing Adviser, 7 Senior Marketing Officers, 2 Chief Inspectors, 1 Development Officer (Fruit Products), 1 Administrative Officer in Class I, 1 Chief Inspector, 10 Marketing Officers, 2 Dy. Chief Inspectors, 5 Senior Inspectors, 41 Inspectors, 6 Deputy Development Officers, 1 Chief Chemist, 7 Section Officers in Class II (Gazetted), 19 Assistants in Class II (Non-gazetted), 168 Class III and 105 Class IV Officers.

The Directorate is assisted in all technical matters by State Marketing Staff.

A comparative statement showing the figures of expenditure in respect of this Directorate and the receipts from the various Schemes in the shape of label charges etc. from 1949-50 to 1954-55 is given below:—

Year				Expenditure	Receipts
				Rs.	Rs.
1949-50	...	...	...	9,39,978	2,41,629
1950-51	...	...	...	8,29,660	2,41,511
1951-52	...	...	...	7,58,400	4,30,582
1952-53	...	...	...	8,44,800	4,35,615
1953-54	...	...	...	10,92,200	7,39,511
1954-55	...	...	...	13,29,900	9,53,215

(Vide Administrative Report of the Directorate of Marketing and Inspection)

(3) Functions of the Directorate of Marketing and Inspection.

The work of the Directorate which is generally undertaken in collaboration with the State Marketing Staff is divided into main three divisions viz. (1) Investigation Work, (2) Work on Grade Standards, and (3) Development Works. Thus the functions of the Directorate can be classified as under:—

(i) Survey:

(a) To carry on marketing surveys of important agricultural commodities and live-stock and live-stock products, and to publish survey reports describing in detail the existing technique and the defects noticed at different levels of distribution and other particulars indicating the lines on which the marketing of products in question could be improved, with a view to giving primary producer a square deal.

(b) To maintain such reports up-to-date.

(ii) Grading and Drawing up of Grade Specifications:

(a) To draw up grade specifications for commodities under the Agricultural Produce and Marketing Act, 1937, after examining their physical and chemical quality characteristics and enforcing them.

(b) To test the working of grades under practical conditions.

(c) To supervise the grading work and to control grading staff.

(d) To initiate and exercise effective quality control over exportable agricultural produce.

(iii) Development Works:

(a) To study internal and external demand for various agricultural commodities and animal husbandry products with a view to finding out and developing new markets.

(b) To advise the Government of India about the planning of production.

(c) To tender advice to the Central and State Governments about the fixation of minimum prices for agricultural commodities and building up of buffer stocks and disposal of surplus produce.

(d) To draw up standard contract terms and to enforce the same through legislation, if necessary.

(e) To undertake surveys of mandis with a view to ascertaining the existing storage facilities, and to prepare a scheme for godown building programme.

(f) To organise an all-India Marketing Service and to issue bulletins thereto and to co-ordinate data regarding centres and arrivals and dispatches of stock.

(g) To tender advice to the States in regard to the establishment of regulated markets and co-operative purchase and sale organisations.

(4) Marketing Surveys and Issue of Report.

The State Marketing Staffs generally carry out marketing surveys in their respective States in accordance with the programmes drawn up under the guidance of the Directorate of Marketing and Inspection at the Centre. These reports are then studied, analysed, collated, and finally published in the form of All-India Marketing Survey Reports. Almost all the major agricultural commodities have been covered; and during the past 20 years 70 reports on various commodities and subjects have been published. The reports are very exhaustive and detailed dealing with all the aspects of marketing, including supply, utilisation and demand, prices, preparation for the market, methods of assembling, classification and grading, handling and transportation, wholesale and retail distribution, processing and manufacturing methods, methods of storage and storage losses, weights and measures, type of seed used and research required to be done with a view to improving marketing directly and indirectly. Almost all the earlier reports have revealed the urgent need for grading and marking the agricultural products and for the adoption of standard contract terms by those engaged in the wholesale distribution of agricultural products. Abridged editions of detailed reports have also been prepared in a few cases summarising the principal features of marketing of the commodities dealt with. During recent years, brochures of nine commodities have also been published bringing the matter contained therein up-to-date. Most of the survey reports were completed before the partition of India and the data contained in them have now become obsolete. Most of them are also out of print and out of stock. Revision of the most of these reports is now overdue and a few are already revised and a few others are taken up for revision in view of the changes that have occurred regarding production, directional movement, marketing cost and to some extent marketing practices. In addition to regular survey, *ad hoc*

surveys have also been conducted in regard to a few commodities at the instance of the Government of India. The survey reports published on various commodities contain much useful information and there was therefore a good demand for them from the public, the Government Departments and even from countries abroad.

(5) Grading and Standardisation.

The various agricultural marketing surveys have disclosed that the absence of fixation of quality standards for agricultural commodities has led to a complete lack of confidence between the buyer and the seller, involving financial waste and financial loss during packing and transportation by rail, road, river and sea. The export of agricultural produce of an indifferent quality not only earned a bad name for the country but was also responsible for considerable losses in foreign exchange over the shipment of useless materials. These considerations led to the passing of the Agricultural Produce Grading and Marking Act, 1937. The Act defines standards of quality, fixes grade designations to indicate quality and prescribes grade designation marks with regard to commodities included in the schedule to the Act. It further empowers the Central Government to make rules for laying down grades and standards for scheduled commodities. It also provides for the grant of certificates of Authorisation to private persons or Corporate bodies to grade agricultural and other commodities on the basis of standards laid down. Under the provisions of the Act only authorised producers or persons or firms can use the Agmark labels, stamps or seals issued under the Act to designate the grades of products in accordance with standard specifications. Specification of standard grades of each of the several agricultural commodities is prepared in such a way as can be adopted easily by the producers and be readily accepted by the traders. Before the grade specifications are finalised and given statutory recognition under the Act, the existing commercial practices and standards have to be enquired into and representative samples in respect of some commodities have to be collected and analysed for various quality and purity characteristics. The tentative grade specifications are thereafter

notified in the Gezzette of India to give an opportunity to the interests affected to express their opinions or comments and make suggestions, if any. These are finalised after several discussions with the representatives of State Governments, producers, merchants, recognised trade associations and foreign purchasers. In going through all these stages of evolution of quality standards, some opposition from vested interests is inevitable and has to be overcome by advancing scientific reasons. The Act provides also for the punishment of unauthorised use of grade designation marks or for its counterfeiting, for mis-grading the produce or for the violation of the rules framed under the Act or other instructions, cancellation of the certificate of authorisation is the only penalty provided. Thus the Act is on the whole a permissive measure. It applies to the following commodities.

(1) Fruits, (2) Vegetables, (3) Eggs, (4) Dairy produce, (5) Tobacco, (6) Coffee, (7) Hides and Skins, (8) Farm products, (9) Atta, (10) Oil seeds, (11) Vegetable oils including hydrogenated oils and vegetable fats, (12) Cotton, (13) Rice, (14) Lac, (15) Wheat, (16) Sann-Hemp, (17) Sugar and gur and bura, (18) Myrobalans, (19) Bristles, (20) Rosin-turpentine, (21) Arecanuts, (22) Cashewnuts, (23) Cardmum, (24) Pepper, (25) Ginger, (26) Essential oils. With regard to these commodities specific grading and marking rules are framed and the Agricultural Marketing Adviser to the Government of India has been empowered to issue certificates of authorisation to packers who are prepared to grade and pack the produce on the lines prescribed. In order to see that the authorised packers do the work of grading properly and to ensure adequate control of quality, the Inspecting Staff working under the Directorate of Marketing & Inspection inspect the Grading Stations in charge of authorised packers and collect samples of graded commodities from the market. They are examined and analysed with a view to seeing whether they conform to the standards of quality laid down by the Central Control Laboratories. Agmark standards have been notified for 110 items of agricultural and animal husbandary products and preliminary investigations were, it is understood, in progress in respect of 30 more commodities. Agmark grading of commodities for internal consumption has also received

the approval of the Planning Commission and efforts have been made by the Directorate of Marketing and Inspection to persuade certain departments of Government and Hospitals and Jails to go in for agmark products. The two important commodities that are graded for internal trade are Ghee and Vegetable oils and it is estimated that during the year 1954-55 one and a quarter lakh maunds of ghee and a little over one lakh maunds of edible oils were graded. The commodities that were graded before 1950-51 were ghee, butter, edible oils, fruits, rice, gur, cotton, and eggs for internal consumption and tobacco and sann-hemp for export trade.

(a) Grading and Quality Control of Produce entering Export Trade—The Indian Trade Commissioners in foreign countries have from time to time emphasised the need for the standardisation of quality for agricultural commodities that enter export trade as absence of such standardisation has lowered both the price and reputation of Indian products in foreign markets. The quality of sann-hemp and tobacco is controlled under the provisions of Section 19 of the Sea Customs Act, 1878 and the Act is now being extended to other commodities as well. Exports of notified commodities are prohibited under the Act unless they have been graded and marked in accordance with the Agmark standards prescribed under the Agricultural Produce and Marketing Act, 1937. The results of compulsory grading of sann-hemp and tobacco in the past under Agmark have been encouraging inasmuch as it has been possible to maintain the reputation of the country for supplying goods in accordance with the prescribed quality standards. This has led to the extension of compulsory grading for export to other commodities such as wool, bristles, goat hair, lac, sheep and goat skins, cashew-kernels, pepper, cardamum, ginger, vegetable oil-seeds and oils and essential oil lemon grass oil and sandalwood oil, rosin and turpentine and kuppoke, the value of annual export of which is estimated to be of the order of a little over 100 crores of Rs. Compulsory grading of tobacco and sann-hemp were continued during the first year of the First Year Plan followed by the grading of wool, bristles, goat hair, and lac in the subsequent year. Grading of sheep and goat skins was taken

up in 1953-54. The programme for grading during 1954-55 included the grading of cashew-nuts, pepper, lemon grass oil and sandalwood oil, and *spices*. The following statements give statewise grading statistics in respect of several agricultural commodities during 1954-55 and the number of packers employed at the close of the year 1955. (*Vide* statements on subsequent pages). During the Second Five Year Plan, it is proposed to introduce grading of all the commodities for which preliminary work in regard to drawing up of grade specifications has been completed and to continue compulsory grading of agricultural commodities that enter export trade. The Directorate of Marketing and Inspection contemplates the grading of extracted honey used for internal consumption.

(b) Establishment of Laboratories.

For the better administration of all grading schemes, both for internal as well as for external trade, adequate facilities are required to be provided for testing produce for purity as well as quality. A scheme for the establishment of Central Control Laboratory with a net-work of regional subsidiary laboratories was provided in the First Five Year Plan. The Government of India have, it is understood, decided to locate the Central Control Laboratory at Nagpur and the site for it acquired from the Government of Madhya Pradesh. The work of construction is likely to commence by the end of 1955-56. This laboratory is expected to undertake investigations for fixing standard grades for different kinds of commodities and to initiate research in order to evolve improved methods for testing. Regional laboratories are proposed to be located at Madras, Bombay and Calcutta, sites for which are also understood to have been selected. Sites for other subsidiary and Regional laboratories at Kanpur, Guntur, Rajkot, Cochin and Amritsar have not yet been fixed. By the close of the Second Five Year Plan, it is expected that one Central Control Laboratory and 8 Regional Laboratories would be operating and grade specifications laid down for all important commodities.

(c) Fruits and Vegetables Preservation and Development.

STATEMENT A

Grading Statistics for the year 1954 from 1-1-54 to 31-12-54

1954

Commodity & Centre		Unit	Quantity	Value in Rs.		
I. <i>Exportable Commodities</i>						
1. Sann-Hemp—						
(a)	Shiupur ...	Bales 400 lbs each	88,244	11,860,173	0	0
(b)	Calcutta ...	"	29,001	4,642,111	0	0
(c)	Vizianagram ...	"	14,454	2,161,332	0	0
(d)	Bombay ...	"	3,611	526,954	0	0
			1,35,310	19,190,570	0	0
2. Tobacco ... Lbs. 89,062,485 96,107,471 0 0						
3. Bristles ... 273,155 Not known						
II. <i>Commodities for Internal Consumption</i>						
4. Ghee						
(a)	Bihar ...	Mds.	3,607 34 8...	6,27,016	10	0
(b)	Bombay ...	"	808 26 0	1,51,069	12	9
(c)	Madras ...	"	8,248 9 0	13,43,332	14	4
(d)	W. Bengal ...	"	288 11 0	52,996	0	0
(e)	Punjab ...	"	167 8 8	32,213	0	0
(f)	Pepsu ...	"	2,855 15 0	5,36,023	0	0
(g)	Saurashtra ...	"	32,107 1 3	62,04,373	0	0
(h)	U.P. ...	"	57,378 13 15	1,01,06,388	10	0
(i)	Andhra ...	"	4,727 15 4	8,07,134	12	0
			1,10,188 14 6	19,86,05,447	11	1
5. Butter—						
(a)	Bombay ...	Lbs.	11,57,493 10½	35,24,633	0	9
(b)	Punjab ...	"	625 0	1,571	0	0
			11,58,118 10½	35,26,204	0	9
6. Oil —						
(a)	Bombay ...	Mds.	11,320 17 0	6,33,936	8	0
(b)	U.P. ...	"	1,00,009 18 10	67,37,906	1	6
(c)	W. Bengal ...	"	8,407 15 11	5,59,476	0	0
(d)	Delhi ...	"	39,288 30 12	21,96,181	11	0
			16,8026 11 1	1,01,27,500	5	0

Commodity & Centre	Unit	Quantity	Value in Rs.
7. Eggs—			
(a) Madras	Nos.	3,73,562	47,046 0 0
(b) Punjab	„	37,349	4,249 8 0
(c) Bombay	„	7,21,367	81,627 4 9
(d) Mysore	„	6,83,258	78,365 12 0
(e) Orissa	„	43,798	6,362 10 0
(f) W. Bengal	„	64,07,158	5,97,584 0 0
		82,66,492	8,15,235 2 9
8. Gur—Bihar			
9. Cotton—Bombay	Mds.	4,540 5 0	69,442 14 0
10. Rice—	„	1,27,927 20 0	2,98,58,642 0 0
(a) Madras	Mds.	1,250 0 0	27,500 0 0
(b) U.P.	„	1,242 25 0	41,677 0 0
		2,492 33 0	69,177 0 0
11. Potatoes			
12. Citrus Fruits—	„	4,791 33 0	64,634 0 0
(a) Bombay	Nos.	2,14,40,118	1,03,113 0 0
(b) W. Bengal	„	7,05,230	27,885 0 0
(c) Mysore	„	37,229	2,922 0 0
(d) M.P.	„	3,74,553	21,419 0 0
		2,25,57,130	1,54,839 0 0
13. Chikoos—Bombay			
14. Mangoes—	„	53,736	1,218 0 0
(a) Bombay	„	4,21,225	40,569 0 0
(b) Bihar	„	6,53,480	24,455 0 0
		10,74,735	74,024 0 0
15. Grapes—Bombay			
16. Apples—Punjab	Mds.	97 13 0	2,375 0 0
17. Pears—Punjab	Nos.	5,31,746	62,287 0 0
18. Pine-apples—	„	1,16,731	4,114 0 0
Travancore-Cochin	„	4,284	1,735 0 0
Grand Total			17,99,85,016 1 7

(Source of Information—Monthly Marketing Notes—December, 1954 issued by the Directorate of Marketing and Inspection, Ministry of Food and Agriculture, Government of India).

STATEMENT B

Grading Statistics—1955

Commodity & Centre			Unit	Quantity	Value in Rs.		
I. Commodities for Export—							
1. Sann-Hemp—							
(a)	Bombay	...	Bales	9,984	13,74,680	0	0
(b)	W. Bengal	...	"	31,323	53,24,943	0	0
(c)	U.P.	...	"	63,859	1,02,40,597	0	0
(d)	Andhra	...	"	11,086	19,71,526	0	0
				1,16,252	1,89,11,746	0	0
...							
2.	Tobacco	...	Lbs.	98,578,290	9,83,88,819	0	0
3.	Bristles	...	"	4,67,415	—		
4.	Wool	...	"	2,93,11,840	86,53,998	6	0
II. Commodities for Internal Consumption							
1. Ghee—							
(a)	Bihar	...	Mds.	6,868 21 4	10,39,607	0	0
(b)	Bombay	...	"	815 18 0	1,52,531	0	0
(c)	Madras	...	"	6,436 36 8	9,56,054	0	0
(d)	W. Bengal	...	"	135 15 8	22,502	0	0
(e)	Andhra	...	"	11,051 5 8	15,89,111	0	0
(f)	Pepsu	...	"	4,223 31 8	6,43,027	0	0
(g)	Saurashtra	...	"	39,951 21 11	6,591,981	0	0
(h)	U.P.	...	"	73,574 30 4	1,17,18,587	0	0
				1,43,057 20 3	2,27,13,400	0	0
2. Edible Oils—							
(a)	Bihar	...	"	749 30 8	38,250	0	0
(b)	Bombay	...	"	14,294 39 4	6,95,327	0	0
(c)	U.P.	...	"	1,46,097 22 11	11,70,59,250	0	0
(d)	W. Bengal	...	"	1,677 30 0	90,495	0	0
(e)	Delhi	...	"	52,571 25 0	27,17,617	0	0
				2,15,391 36 7	1,06,00,939	0	0
3. Butter—							
(a)	Bombay	...	Lbs.	12,24,104 8½	34,55,626	10	6
(b)	Punjab	...	Lbs.	632 12	1,466	3	0
				12,24,737 4½	34,57,092	13	6
4. Tobacco—Bihar							
		...	Mds.	2,285 30 0	11,68,898	1	0

Community & Centre				Unit	Quantity	Value in Rs.		
5.	Eggs	...	...	Nos.				
(a)	Delhi	...	...		2,86,480	38,238	2	0
(b)	Madhya Pradesh			"	37,984	6,393	5	0
(c)	Mysore	...	...	"	6,66,210	71,436	14	0
(d)	Bombay	...	...	"	9,16,295	97,185	3	2
(e)	Punjab	...	...	"	30,871	3,279	4	0
(f)	Madras	...	...	"	2,30,630	26,954	0	0
(g)	W. Bengal	...	...	"	5,072,480	5,20,837	0	0
(h)	Orissa	...	...	"	55,082	7,551	0	6
					8,191,050	7,80,874	13	2
6.	Gur—Bihar	...	...	No grading				
7.	Cotton—Bombay	...	...	Bales	366	16,025	0	0
8.	Potatoes—Madras	...	...	No grading				
9.	Rice—							
(a)	Madras	...	...	Mds.	400 0 0	5,600	0	0
(b)	U.P.	...	...	"	304 20 0	9,017	0	0
					704 20 0	14,617	0	0
10.	Atta—West Bengal	...	...	"	556	9,117	0	0
11.	Mangoes—							
(a)	Bombay	...	...	Nos.	5,36,052	81,323	0	0
(b)	Bihar	...	...	"	4,92,500	13,258	0	0
					10,28,552	94,681	0	0
12.	Grapes—Bombay	...	...	Mds.	98	1,450	0	0
13.	Chikoos—Bombay	...	...	"	12,40,50	1,955	0	0
14.	Citrus Fruits—							
(a)	Bombay	...	...		27,79,264	1,33,677	0	0
(b)	Mysore	...	...		37,404	3,129	0	0
(c)	Madhya Pradesh				6,47,476	32,644	0	0
(d)	Madhya Bharat	...	...		1,67,240	5,985	0	0
					36,31,474	1,75,435	0	0
Grand Total						10,04,154	13	2

(Source of Information—Monthly Marketing Notes for December, 1955, issued by the Directorate of Marketing and Inspection, Government of India, New Delhi).

The following table shows the position in regard to imports and exports of agricultural commodities by sea and air only during 1953-54 and 1954-55.

					<i>In lakhs of Rs.</i>	
					1953-54	1954-55
(a) Imports						
(1)	Fruits and Vegetables	...	...	...	N.A.	N.A.
(2)	Grams, pulses, etc.	...	...	...	N.A.	N.A.
(3)	Raw cotton	...	...	...	5,275	5,845
(4)	Raw wool	...	...	...	N.A.	N.A.
(5)	Raw jute	...	...	...	N.A.	N.A.
(6)	Wheat	...	...	...	3,832	1,287
(7)	Rice not in the husk	...	...	...	1,330	5,487
(8)	Milk (Condensed and Preserved)	...	...	...	459	533
(b) Exports						
(1)	Tea	...	...	...	10,160	14,653
(2)	Pepper	...	...	...	1,287	695
(3)	Tobacco Unmanufactured	...	...	...	1,102	993
(4)	Raw cotton	...	...	...	940	1,019
(5)	Raw wool	...	...	...	587	861
(6)	Castor Oil	...	...	...	319	350
(7)	Groundnut Oil	...	...	...	25	1,188
(8)	Cotton waste	...	...	...	988	996

Note:—Source of information : India 1956.

It is necessary to increase the availability of protective foods such as vegetables and fruits for consumption and for this purpose adequate measures are required to be taken to develop production of canned fruits and vegetables by the establishment of co-operative organisations which would own cold stores for preservation of fruits and vegetables. At present the average *per capita* consumption of fruits products hardly exceed 2 ozs. and it is proposed to increase this consumption appreciably during the Second Five Year Plan. The production at present is estimated to be in the neighbourhood of 20,000 tons, and it is proposed to increase it to 50,000 tons by the end of the Second Five Year Plan period viz. 1960-61. The high prices of sugar and the tin and lack of financial facilities are the chief obstacles that stand in the way of large-scale factory-production as well as production on a small-scale. With a view to assisting the industries, it is proposed to grant subsidies to industries for the use of sugar and tin and loans to State Governments for installing five large-scale canaries, 200 small-scale units and 20 cold storage plants throughout the country. It is also proposed to provide

APPENDIX 3

Statement showing state-wise distribution of Authorised Packers for various commodities as on the 31st October, 1955.

State	For External Quality Control					For Internal Quality Control												
	Sann Hemp	Toba-cco	Bri-stles	Wool	Tob-acco	Ghee Edible	Butt-ter	Eggs	Rice	Gur	Pota-toes	Atta	Citrus	Chik-poo	App-les	Pea-rs	Cot-ton	
Uttar Pradesh	32	—	50	—	—	67	19	—	—	1	2	—	—	—	—	—	—	
Bombay	3	—	8	43	—	1	4	—	4	3	1	—	80	4*	2	—	5	
West Bengal	16	4	7	—	—	1	4	23	—	—	—	1	2	—	—	—	—	
Andhra	6	301	—	—	—	4	—	—	—	—	—	—	1*	—	—	—	—	
Madras	—	22	3	6	—	6	—	10	7	—	5	—	—	—	—	—	1	
Madhya Pradesh	—	—	30	—	—	—	—	1	—	—	—	—	16	1*	—	—	—	
Delhi	—	—	2	44	—	—	2	5	—	—	—	—	—	—	—	—	—	
Saurashtra	—	—	—	51	—	12	—	—	—	—	—	—	—	—	—	—	—	
Punjab	—	—	—	92	—	—	1	2	—	—	—	1	—	—	11	10	1	
Ajmer	—	—	—	188	—	—	—	—	—	—	—	—	—	—	—	—	—	
Rajasthan	—	—	—	184	—	—	—	—	—	—	—	—	—	—	—	—	—	
Bihar	—	—	—	—	4*	3	3	—	—	6	—	—	—	—	—	—	—	
PEPSU	—	—	—	—	—	5	—	—	—	—	—	—	—	—	—	—	1	
Mysore	—	—	—	—	—	—	—	1	—	—	—	—	1*	—	—	—	—	
Orissa	—	—	—	—	—	—	—	1	—	—	—	—	—	—	—	—	—	
Kutch	—	—	—	1	—	—	—	—	—	—	—	—	—	—	—	—	—	
Total	57	327	100	559	4	99	82	3	47	11	9	5	2	105	2	11	10	8

Note :—(a)

The Total number of Certificates of Authorisation issued in respect of tobacco which is exported was 531 (Madras 22, Andhra 505, West Bengal 4) while in respect of tobacco which is used for internal consumption was 4 (Bihar). The total number of Certificates of Authorisation issued in respect of Wool was 632 (Madras 6, Bombay 59, Punjab 101, Delhi 51, Saurashtra 71, Ajmer 169, Rajasthan 182 and Kutch 1.) The number of Certificates of Authorisation used for other commodities was the same as the number of packers.

(b) Certificates of Authorisation in respect of Cotton are issued in the name of the Cotton Officers, Cotton Superintendents, and Cotton Supervisors of the State Agricultural Departments.

*(c) In these cases, the Certificates of Authorisation are issued to Co-operative Societies.

(Source of Information : This statement is taken from the December, 1955, No. of the Monthly Marketing Notes-issued by the Government of India, Ministry of Food and Agriculture, Directorate of Marketing and Inspection).

training in fruit preservation. The total cost of the fruit preservation schemes for which provision has been made in the Second Five Year Plan is estimated at about Rs. 300 lakhs of which a sum of about 15 lakhs is for the continuation of the scheme for administration of fruits products order. The fruit products order was originally worked out by the Directorate of Marketing and Inspection, but it had been for some time transferred to the Fruits Development Adviser. The work was, however, finally transferred to the Directorate of Marketing and Inspection in 1952. Under this order, the manufacturers of fruits products are licensed and they are under an obligation to produce products of certain minimum standards prescribed in the order. They are also assisted in regard to the development of the industries. Under the provisions of Section 3 of the Essential Commodities Act, 1955 a new fruit products order was issued in May, 1955. Under the new order the licensing authority is the Agricultural Marketing Adviser to the Government of India who is empowered to take action against a firm, violating the provisions of the order. The new order has modified the mode of collection of licence fees. Other amendments are in respect of specifications of various fruit products and the standards of sanitation and hygiene of the factories. A scheme for the development and preservation of fruit and vegetable industry is understood to have been formulated which aims at the development of fruits and vegetable preservation by the grant of rebates on prices of sugar and tin and by the issue of loans for the purpose. The scheme further envisages the establishment of cold storages and undertaking of packing research by setting up Quality Control and administration staff for development. The All-India Conference of Marketing Officers had passed in 1953 two sets of resolutions one for grading and quality control of produce entering intra and inter-State trade and another for grading and quality control of agricultural produce entering export trade. They are mentioned below :—

Grading and Quality Control of Produce entering intra and inter-State trade.

(a) Having regard to the importance of grading in securing the primary producer adequate return for his produce commens-

surate with quality and assuring to the consumer a product of guaranteed quality this Conference recommends:—

- (i) that the State Governments should make special efforts for popularising the grading of all agricultural products for which Agmark specifications have been laid down ;
- (ii) that steps be taken by the various State Governments to give effect to the recommendations made by the Planning Commission and the Conference of the State Agricultural Ministers particularly in regard to Grading of ghee and edible vegetable oils under Agmark and encouraging their consumption by restricting the inter-State movement of these products to graded produce only ;
- (iii) that regional and/or seasonal specifications for ghee should be prescribed by the Agricultural Marketing Adviser to the Government of India wherever necessary, giving due consideration to the administrative and technical aspects of the problem ;
- (iv) that extensive publicity may be carried on by the Central and State Marketing Organisations for popularising the use of Agmark products amongst the consumers through various means including talks on All-India Radio. As recommended by the Planning Commission, Government sponsored and aided institutions, etc., may confine their purchases to Agmark ghee and oils ;
- (v) the Conference records its gratification on the following resolution passed by the Conference of the State Ministers of Agriculture:—

“that pending the prescription of standards under Section 22(b) of the Food Adulteration Bill now under consideration of Parliament, State Governments should adopt a convention whereby ghee and edible oils in sealed containers bearing Agmark labels are allowed to be sold in all States irrespective of the provisions of the local Pure Food Laws, owing to their quality being guaranteed by the Central Marketing Organisation”, and recommends the immediate implementation of the same.

Grading and Quality Control of Agricultural Produce entering export trade.

The Conference recommends:—

- (1) that having regard to the success achieved in the export quality control of Sann-Hemp and Tobacco, the various schemes for the quality control of exports of other agricultural commodities included by the Planning Commission in the First Five Year Plan should also be put into operation as early as possible.
- (2) that the possibility of passing independent legislation for controlling the quality of exports of agricultural and animal husbandry products under Agmark, should be examined with view to bringing all these products under compulsory quality control before export.

In regard to control and development of fruit products the Conference also recommended that:—

(i) the Directorate of Marketing and Inspection should explore the possibilities of introducing grade standards for various fruit products.

(ii) The State Government should encourage the promotion of fruit products industry in the producing areas by taking such steps as far as possible for improving the quality and reducing the cost of production.

(iii) the State Marketing Officers may render such assistance as may be required by the Fruit Products Industry for the procurement of suitable fruits and vegetables.

(iv) having regard to the importance of the fruit preservation industry and as recently recommended by the commodity control committee, the Fruit Products Order should be placed on permanent footing.

In regard to the quality control of commodities for export, it is understood that the following four schemes are in operation.

- (1) Tobacco Grading Scheme.
- (2) Sann-Hemp Grading Scheme.
- (3) Wool, Bristles and Goat Hair Grading Scheme.
- (4) Essential Oils Grading Scheme.

In the Second Five Year Plan, the programme of work which the Directorate of Marketing and Inspection contemplates initiating and continuing is as follows:—

1. Grading of Lac, plantation and forest produce, raw goat skins, vegetable oils and oil seeds, East India tanned leather.
 2. Fruit Products Order.
 3. Propaganda and Publicity.
 4. Internal Quality Control.
 5. Setting up of regional offices.
 6. Setting up of Wool Auction Market.
 7. Drawing up of Grade Standards and Marketing Surveys.
 8. Market News Service and setting up of Marketing Information Bureau.
 9. Setting up of Regional Laboratories for conducting research in fruit and vegetable preservation.
 10. Conducting Training Classes in Agricultural Marketing.
- (3) Development Works.

(a) Publicity for Agmark and Agmark Products: In order to promote the sale of standardised products and to bring the Agmark Scheme prominently to the notice of the public, publicity for Agmark and Agmark products was given in the past by inserting advertisements in the press, by exhibiting attractive posters regarding Agmark products at railway stations and by putting up Agmark Stalls at important fairs and exhibitions. The graded products are at present exhibited at various exhibitions both in India and abroad and the advantages obtaining both to the producer and to the consumer explained. Thus samples of graded produce such as ghee, edible oils, sannhemp, tobacco, fruits, eggs, were exhibited in all-India and foreign exhibitions. These have proved very useful in dispelling misunderstanding in the minds of the public regarding the quality of graded products. The original posters regarding ghee and edible oils have been now revised, short-leaflets or pamphlets describing Agmark ghee, oils and butter were also prepared and issued freely to all the packers and other interested persons.

Steps also were taken to prepare a documentary film on Agmark. Cinema slides on ghee, edible oils and butter were also got prepared and steps taken to display them at cinemas. A further useful activity recently initiated by the Directorate is the issue of a monthly bulletin called the Monthly Marketing Notes reviewing the progress of various marketing activities at the Centre and in the States. In addition to these activities, the Marketing Officers both at the Centre and the States contribute articles on various aspects of marketing to journals and a few lectures were also arranged for delivering to the students of the Indian Council of Agricultural Research. Further the Officers of the Directorate attended a number of conferences held at different places where the various aspects of marketing development work are discussed.

(b) Regulated Markets : Adoption of standard grades for agricultural commodities will not alone be enough to enable the farmer to get proper return for his produce. The various agricultural marketing surveys have emphasised the need for establishing regulated markets in order to ensure a fair deal to the agriculturists. The progress so far achieved in the sphere of regulation of markets in some of the States has already been treated at length in a previous chapter. The position in regard to the States other than those mentioned therein is indicated below :

1. Saurashtra : The Government of Saurashtra has passed the Agricultural Produce Markets Act in January, 1955 but has not enforced the Act as yet.

2. Bihar : The Government of Bihar was contemplating the introduction of Market Legislation but took the view that time was not yet opportune.

3. U.P. : An Agricultural Produce Markets Bill was drafted some time ago but it could not be introduced for one reason or the other in the Legislative Assembly.

4. Orissa : The position is similar to that in U.P.

5. West Bengal: Do. Do.

6. Travancore-Cochin : The Government of Travancore-Cochin have, it is understood, prepared the draft bill and are taking necessary steps for introducing the bill in the Legislative Assembly.

7. Assam : Necessary legislation could be introduced for want of an Independent Marketing Department in the State.

A noteworthy feature of the working of the Directorate of Marketing and Inspection during the year 1955 is understood to be that an Advisory Section for dealing with regulated markets has been created and placed in charge of a Senior Marketing Officer with the object of effecting improvements in the working of regulated markets in the States where they are at present functioning and of promoting regulation of markets in States where it has not yet been done. .

It is further intended that this section should co-ordinate and put on uniform basis all the activities relating to regulation of markets. It is expected that this section would be of considerable assistance to the Marketing Officers in States where legislation has not yet been introduced and where regulation of markets is going to be undertaken by legislation, by making available to them the experience pooled by it in the administration of the Agricultural Produce Markets Acts in the States where they are already in operation. The regulation of markets, it may be noted, is primarily the responsibility of the States and the various State Governments have accordingly formulated plans for the regulation of markets which have been referred to elsewhere.

(c) Standardisation of Weights & Measures : One of the objects of standardisation of weights and measures is to safeguard the interests of the parties to a transaction against cheating by false or underweight. The need for the standardisation of weights and measures is more urgent in rural areas in respect of transactions in which the farmer is concerned and where a large amount of cheating takes place. An act to establish standards of weight throughout the country was passed by the Central Government in 1939 and it came into force in 1942. Under this Act two systems of weights have been prescribed viz. one based on the Indian system that is to say tola, and maund and the other avoirdupois weight that is to say lbs. cwts. and tons. Both the systems have been practically adopted in all the States where the standard weights have been laid down. Adoption of two systems of weights for trading in the same commodity has led to a certain

STATEMENT I

Chart showing the proposed structure of the technical staff of the Central Agricultural Marketing Department
(Now Directorate of Marketing and Inspection)
Agricultural Marketing Adviser

STATEMENT II

Provincial Marketing Officer

Development

Assistant Marketing Officer

Asst. Marketing Officer
4 Inspectors. Regulation of
markets, Grading and standar-
disation, Weights and
Measures and Market
Legislation.

Asst. Marketing
Officer
4 Inspectors.—
Co-operative
marketing

Asst. Marketing
Officer
2 Inspectors, Cereals
and Pulses

Asst. Marketing
Officer
2 Inspectors. Oil-
seeds and vegetable

Asst. Marketing
Officer
2 Inspectors. Fruits, 2 Inspectors, Live-
Vegetables, Tobacco stock and livestock
and other crops products

Deputy Provincial Marketing Officer

Marketing, Investigation, Research and Publications

Office Staff—Superintendent, Accountant, Statistical Assistant, Stenographers, Clerks, Peons, etc. etc.

Source of Information : Proceedings of the Marketing Officers' Conference, 1948.

amount of confusion and to malpractices as well by the traders. To overcome this it is suggested that the Indian system may be adopted with advantage for internal trade while in the case of port towns the use of avoirdupois weights could be prescribed, in respect of commodities entering export trade. Before the First Five Year Plan came into operation, weights and measures Acts were passed in the States of Bombay, Bihar, Madhya Pradesh, Punjab, Hyderabad, Mysore, Pepsu, Saurashtra, Travancore-Cochin, Kutch, and Coorg. The Acts were also passed by the Madras, Orissa and U.P. States but had not been enforced. Similar was the position in the States of Assam, Rajasthan, Madhya Bharat and Bhopal. The States of Delhi and Ajmer have enforced the necessary legislation. Some of the part C States like Himachal Pradesh, Vindhya Pradesh, Manipur and Tripura have adopted and enforced the Central Standards of Weights Act but have not set up the requisite machinery for supervision and inspection. In the States of Assam and West Bengal no legislation is yet passed. A special Sub-Committee of the Indian Standards Institution in New Delhi reviewed the position as regards weights and measures and recommended the introduction of Metric System of weights and measures throughout the country. As a result of this recommendation the Government of India have decided to change the existing system to the Metric System of weights and measures. A committee is understood to have been appointed by the Ministry of Commerce and Industry to make detailed proposals for effecting the change. The All-India Marketing Officers' Conference held in 1953 passed the following resolution "for orderly marketing standardisation of weights and measures is essential. The Conference, therefore, recommends that the Government of India should amend the Indian Standard of Weights Act, 1939 so as to restrict the use of avoirdupois system of weights to export trade only and enact legislation laying down standard measures". The matter was further emphasised by the States Ministers' Conference held at Srinagar some time later. The main difficulties in regard to the enforcement of the reform in regard to weights is attributed to be due to lack of finance in some of the States.

(d) Standardisation of Contract Terms: Trade in heavier staples like Rice, wheat, oilseeds is usually done on the basis of

contract terms agreed to between the buyer and the seller. Such contracts provide inter-alia for payment of allowances in respect of refraction, damaged grains, or cleaner produce than basic quality etc. to either of the parties to the contract as the case may be. A chief defect in the contracts in use is that they are on a non-mutual basis. A certain amount of refraction is always assumed to exist and no premium is given if the produce is cleaner than the basic quality stipulated in the contracts. Further, there is also the lack of standardisation of containers, methods of sampling and analysis. In order to remove the existing defects standard contract terms were prescribed by the Central Agricultural Marketing Department for wheat, linseed and groundnut after discussing the same with the trade interests concerned. In the year 1948 the Indian Central Oilseeds Committee recommended that the Standard Contract Terms should be enforced for all major oil seeds and that steps should be taken to organise a system of licensed analysts. It further recommended that a clause be inserted in the Standard Contract Terms making it obligatory on the parties to abide by the analysis carried out by the analysts. Standard Contract Terms for 3 major oils viz. linseed, castor oil and groundnut oil are yet to be finalised after consulting the trade interests affected. In the year 1952 the Forward Contracts Regulation Act was passed with a view to regulating forward trading in the commodities to which the Act is made applicable. The Act incorporates a provision where by the standard contract terms should be included in the bye-laws of Associations which receive recognition under the Act for the purpose of forward trading. The All-India Marketing Officers' Conference held in 1953 adopted the following resolutions:—

(1) Standard Contract Terms for linseed and groundnut may first be enforced in all the forward contracts.

(2) The Ministry of Commerce and Industry which is administering the Forward Contracts Regulation Act, 1952 be requested to enforce the standard contract terms under clause 11 (3) (f) of the said Act when it is made applicable to commodities for which standard contract terms have been framed.

(3) Steps should be taken to prescribe standard contracts for other oil seeds and oils and revise the standard contract terms for linseed and groundnut”.

(e) Futures Trading in Agricultural Produce: Futures trading is now controlled by the Forward Markets Commission set up under the provisions of the Forward Markets Regulation Act, 1952 and it is only those associations that are recognised by the Forward Markets Commission are permitted to trade in futures subjects to certain conditions prescribed; extensive powers are conferred on the Commission in the Act to control unhealthy speculation in the markets dealing in commodities in which forward trading is permitted.

(f) Development of Co-operative Marketing: The subject has received sufficient attention elsewhere so as to obviate further reiteration here.

(g) Market News Service: This subject also has been treated at length in a previous chapter and the same ground need not be traversed here again.

(h) Storage and Licensed Warehouses: Establishment of licensed warehouses for storing agricultural commodities minimises the wastage of articles of food but so far much progress has not been made in regard to the setting up of licensed warehouses. The States of Madhya Pradesh, Bombay, Hyderabad, Travancore-Cochin have passed the necessary legislations in the years 1946-47 and 1949. Legislation was enacted in the States of Madras and Mysore in 1951. Bihar followed next and enacted the necessary legislation in 1954. Out of the seven States mentioned above it is only in Bombay, Madras and Travancore-Cochin the rules under the Acts have been framed. Pepsu was considering the question of establishing warehouses. Out of the five licensed warehouses set up in the Bombay State only two that is to say one at Kolhapur and the other at Karad are functioning. The commodities handled at Kolhapur are gur turmeric and groundnut. These warehouses are mostly taken advantage of by the middlemen-stockists and the agriculturists do not seem to have appreciated the advantages of the facilities afforded. The reasons why the growers at Kolhapur have been slow to take advantage of these warehouses appear to be firstly

that most of the cultivators have no waiting capacity and are in urgent need of funds immediately after the harvest and secondly the marketable surplus left to the most of the cultivators is not appreciable. In the case of larger cultivators there appears to be general reluctance to take the risks attendant on variation in prices which storage implies. Besides the agriculturists are not in a position to forecast the market trends correctly. As regards the future set-up of the warehouses in the country enough has been said elsewhere and it is needless to cover the same ground again.

(i) Training in Agricultural Marketing: In view of the growing importance of the development of Agricultural Marketing and the vital position it occupies in the Indian national economy it is necessary that the various schemes of marketing developments should be run efficiently so as to yield the best results. The successful implementation of the programme formulated would greatly depend upon the availability of trained personnel in charge of the various schemes. The facilities at present existing for specialised training in Agricultural Marketing so as to give the candidates a real insight into marketing problems are extremely limited. A Pilot Course of training in Agricultural Marketing was organised some time ago under the auspices of the Reserve Bank of India at the Co-operative Training College, Poona and so far 106 candidates were trained both in theoretical and practical aspects of marketing. For the Senior Officers undergoing training at the College a special optional course of training is also provided in Agricultural Marketing., 14 candidates volunteered to take the optional subject of Agricultural Marketing for the 10th course of training. In all 175 trainees have so far been trained in agricultural marketing at the college. It is also understood that the Directorate of Marketing and Inspection has taken a lead in this matter by organising a special technical course of training lasting for about six months in the marketing of live-stock and live-stock products under the scheme financed by the Indian Council of Agricultural Research. A scheme for training in Agricultural Marketing is also understood to have been included in the Second Five Year Plan ; under it, it is proposed to train about 20 candidates every year. Insofar as

these schemes of training in Agricultural Marketing are concerned co-ordination of work by the Directorate of Marketing and Inspection and Reserve Bank of India in the sphere of Agricultural Marketing appears to be called for in achieving the best results. How this co-ordination is to be brought about is a matter of detail which can be settled and decided by mutual discussion once the principle is accepted.

(j) Measures of Development and Estimates of Expenditure:— The various schemes proposed for the development of Agricultural Marketing in the Second Five Year Plan under the Central sector are estimated to cost about $3\frac{1}{2}$ crores of rupees of which expenditure on the existing schemes in force is expected to be of the order of $1\frac{1}{2}$ crores. Thus expenditure on development schemes alone is estimated to be of the order of 2 crores. The State Governments have also provided for measures under their plans, for the development of Agricultural Marketing.

APPENDIX 1

A note on salient features of the New Cotton Hedge contract for the 1957-58 Season

As already mentioned in Chapter V and appendices thereto the E.I.C.A. Ltd. had adopted the double contract system for 1956-57, cotton season and after experimenting with it for a year there has been a return to one contract only since June 1957. This appears to have been promoted by the shrinkage in production of cotton in the current season and expectation of a fall in production in the new season also. During 1956-57 it was estimated that a commercial crop of about 5.4 million bales would be harvested but recent estimates have put the crop at not more than 4.7 million bales; with a progressive deterioration in the statistical position of cotton, the Forward Market Commission felt it necessary to revise the Hedge Contract for 1957-58 cotton crop and requested the E.I.C.A. Ltd. to formulate proposals therefor. The Board of the E.I.C.A. Ltd. appointed accordingly a Sub-Committee to go into the question and suggest suitable modifications. The Sub-Committee after discussion and consultation with the various interests concerned, has recommended a number of amendments in the bylaws of the E.I.C.A. Ltd. The Board formulated its proposals based on the recommendations of the Sub-Committee, and the amendments in the bylaws were also approved by the Forward Markets Commission. The salient features of the new omnibus hedge contract are as follows:—

For the purpose of hedging there will be only one Hedge Contract called the 'Indian Cotton Contract'. The basis of the contract is Fine M.G. Muglai Jarilla 25"/32" as per standard to be prepared from Jarilla Cotton grown in former Hyderabad State tenderable up to two classes 'on' and up to "Good to fully Good" and up to 2"/32" on and 1/32" 'off' for staple. Months of delivery are March, May and August. Trading in Hedge Contract is not permissible above Rs. 30/- below the ceiling price fixed by the Textile Commissioner, for basic cotton,

except for liquidation of outstanding transaction or jobbing business during the delivery period. No fresh business is permitted during the delivery period but liquidation of outstanding business or jobbing business is allowed subject to the two following conditions:—

- (a) The position at the close of the day is not changed.
- (b) No transactions done should be carried forward for the next day.

Margin Payable

The Forward Markets Commission has reserved to itself the power to impose margin if it considers necessary to do so. A deposit is insisted on outstanding purchases on the following scale:—

(a) If the price goes above Rs. 70/- below the ceiling price before the delivery period, the rate shall be Rs. 25/- per bale on net outstanding purchases shown in the statement.

(b) If the price rises above Rs. 70/- below the ceiling prices on or after the 1st day of the delivery month the rate shall be Rs. 200/- per bale on all the outstanding purchases, on the day of such occurrence.

(c) If, however, the price increase shall have occurred before the delivery month, and continues on or after the 1st day of delivery month the rate shall be Rs. 200/- per bale after adjustment of the deposit already kept with the clearing house.

The deposit so paid can be adjusted as and when purchases are liquidated before or during delivery period against any further deposits to be paid subsequently and when no such adjustment is necessary the deposit will be refunded to that extent immediately after the liquidation of long position. There will be no weightage.

Tendering Differences

Tendering differences will be fixed on the basis of the prices at which the basic and other descriptions of cotton tenderable, are sold in the Bombay Spot Market and the spot price of respective descriptions of cotton, in the interior markets with

power to the Special Committee or the Board of E.I.C.A. Ltd. to adjust at their discretion such premia or discount by adding to the premia or by reducing the discount to the extent of 50 per cent of the difference between the Hedge Contract rate and the spot rate of basic cotton. The invoicing back of cotton rejected in survey under bylaw 61 will be on the basis of the spot rate of basic cotton with the addition of a penalty of Rs. 3/- per candy. If, however, the price of the basic cotton rises at any time above the price of any Jarilla growth, then the spot price of basic cotton will be fixed at a rate not exceeding the spot price of Madhya Bharat Jarilla.

Preparation of Standards and Appointment of a Super Appeal Committee

The Standards will be renewed by the Standards Committee every year. They are prepared as usual by the surveyors subject to the right of appeal, the Standards Appeal Committee is now constituted consisting of 5 persons from the trade one of whom will be the Chairman of the Board. This Super Appeal Committee hears the appeal against the award of the panel of surveyors. Three members will form a quorum. The fee prescribed for super appeal is Rs. 250/- and if the appeal is successful a sum of Rs. 125/- is returned.

Tender against Hedge Contract and Appointment of a Controller

Cotton tendered against the Hedge Contract, for the first time is required to be certified according to the final arbitration. The seller has to specify in the Delivery order forms (5 and 6) in respect of Cotton tendered against Hedge Contract, particulars such as press marks, press running numbers and other marks if any on the bales. A Controller is appointed by the Association for drawing samples and for submission for survey. His fee is fixed by the Board from time to time and is to be borne by the parties equally. The Controller has to draw samples in the presence of both the seller and the buyer or their representatives. His name is intimated to the parties while forwarding the delivery order to the buyer and while apprising the seller of the name of the last buyer. The cotton tendered is required

to be certified according to the final award, in arbitration under bylaw Nos. 36 and 37 and the controller has to verify the press marks, press running numbers and other marks on the bales at the time of weighment by the buyer. He is further required to affix a stamp on each bale showing the number of the certificate.

Despite bylaws 36 and 37 if the same bales are again tendered against a hedge contract the buyer is bound to weigh over the same without any re-arbitration but the seller is required to make an allowance of 1 per cent to the buyer on the Invoice price for August delivery in respect of Vijay, Ankleshwar and Surti varieties of cotton, subject to the condition that such descriptions of cotton bear the press marks, press running numbers, the Controller's marks and any other marks which tally with particulars mentioned in the certificate.

In the case of up country delivery the cotton certified as above is tenderable in Bombay City.

Revised Hedge Schedule

(See next page)

For the existing Hedge Schedule the following shall be substituted:—
Hedge Schedule

Hedge Contract	Descriptions.	Tenderable up to	Places where cotton is pressed or grown.
(1)	(2)	(3)	(4)
	M. G. Moglai Jarilla 25/32" staple, including Jarilla grown in Bombay State and Gaorani (Bani).	27/32"	All places in the districts of Medak, Nizamabad, Karimnagar, Warangal, Khamam, Nalgonda, Mahabubnagar and Hyderabad of Andhra Pradesh State, Bidar and Gulbarga districts of Mysore State and Aurangabad, Parbhani, Bhir, Osmanabad and Nanded districts (parts of former State of Hyderabad) and Ahmednagar district of Bombay State.
	M. G. Madhya Bharat Jarilla 25/32" staple, including Cambodia, Upland and Malvi.	27/32"	All places in the former States of Madhya Bharat and Bhopal (forming parts of present Madhya Pradesh State).
	M. G. Madhya Pradesh Jarilla 25/32" staple, including (197/3) Virnar, Verum, M.P. Cambodia, H-420.	27/32"	All places in the Hoshangabad, Nimar and Chhindwara districts of Madhya Pradesh State, Buldana, Akola, Amravati, Yeotmal, Wardha, Nagpur, Bhandara and Chanda districts (Nagpur Division) of Bombay States (parts of Former State of Madhya Pradesh) and Adilabad district of Andhra Pradesh State (part of Former State of Hyderabad).

INDIAN COTTON CONTRACT

M. G. Khandesh Jarilla 25/32" staple, including (197/3) Virnar.	27/32"	All places in the Nasik, East and West Khandesh districts (excluding Akkalkuwa and Nawapur Talukas), Sholapur and Poona districts of the Bombay State and Bijapur district of the Mysore State (part of former state of Bombay).
M. G. Dhollera 25/32" staple, including "Cutch", "1027", "Wagovirangam", "Kadayo", "Wagotar", "Lalio", "Kalagin".	27/32"	All places in the Gohilwad, Halar, Sorath, Madhya Saurashtra, Zalavar and Kutch districts or Rajkot division (former states of Saurashtra and Kutch) Banaskantha district and Patri and Kharaghoda villages of the Virangam Taluka of Ahmedabad district of the Bombay State.
M. G. Kalyan 25/32" staple including, certified cotton grown in Rajkot Division of Bombay State.	27/32"	All places in the Ahmedabad (excluding part of Ahmedabad district lying South of the river Sabarmati, part of Daskroi and city talukas, the whole of Dehgam Taluka and Patri and Kharaghoda villages of Virangam taluka) and Meh-sana districts, Cambay and Petlad talukas in Kheda district of the Bombay State and Gohilwad, Halar, Sorath, Madhya Saurashtra, Zalavar and Kutch districts or Rajkot Division of the Bombay State provided the areas in which the cotton has been grown have been protected under the Cotton Transport Act 1923 or duly certified by the Department of Agriculture.

INDIAN COTTON CONTRACT

Hedge Contract (1)	Descriptions. (2)	Tenderable up to (3)	Places where cotton is pressed or grown. (4)
	M. G. Rajasthan American 25/32" staple.	27/32"	All places in the State of Rajasthan excluding Shri Ganganagar district. (Includes the former State of Ajmer).
	M. G. Western 25/32" staple, including 881F Umri, Northern, Hagari 1 (Western Farm) and Nandyal 14.	27/32"	All places in the Gulbarga and Raichur districts parts of former State of Hyderabad) and the Bellary district of the Mysore State and Kurnool (Pathikonda, Adoni and Alur talukas), Anantapur and Cuddapah districts of the Andhra Pradesh State.
	M. G. Vijay 26/32" staple, including Digvijay, Nandurbar, Surti and Dehgam 1027.	28/32"	All places in the Broach (excluding Ankleshwar, Jhagadia and Dediapada Talukas and part of Nandod Taluka lying South of the river Narbada and Hansot, Valia and Sagbara Mahals), Baroda, Kheda (except the Talukas of Cambay and Petlad), Panch Mahals and Sabarkantha District, Nandurbar Taluka of West Khandesh District and part of Ahmedabad District (lying South of the river Sabarmati including part of Daskroi and City Talukas and the whole of Dehgam Taluka) of the Bombay State.

M. G. Ankleshwar 27/32" staple, including cotton grown at Ankleshwar, Rajpipla, Jhagadia, Netrang and Nawapur.	29/32"	All places in the Ankleshwar, Jhagadia and Nandod Talukas (Rajpipla), Hansot Mahal, Valia Mahal (Netrang), Dediapada Taluka and Sagbara Mahal of the Broach District and Nawapur and Akkaluwa Talukas of West Khandesh District and Kim and Kosamba Talukas of Surat District of the Bombay State.
M. G. Surti 28/32" staple, including Suyog and Vijalpa (2087).	30/32"	All places in the Surat District excluding Kim and Kosamba Talukas of the Bombay State. Note :—If certification by the Agricultural Department is continued and included in the Textile Commissioner's notification then certified 2087 cotton grown in Ankleshwar, Jhagadia, Rajpipla, Netrang and Nawapur should be tenderable against Surti also.
R. G. and S. G. Punjab/American L.S.S. 27/32" staple.	29/32"	All places in the Ferozepore district of the State of Punjab and Shriganganagar district of Bikaner division of the State of Rajasthan.
R. G. and S. G. Punjab/American 32OF 27/32" staple.	29/32"	All places in the State of Punjab and Shriganganagar district of Bikaner division of the State of Rajasthan.
R. G. and S. G. Punjab/American 216F 28/32" staple, including H-14 (uncertified).	30/32"	All places in the States of Punjab, Uttar Pradesh and Madras and Shriganganagar district of Bikaner Division of the State of Rajasthan.

Descriptions.	Tenderable up to	Places where cotton is pressed or grown.
(2)	(3)	(4)
M. G. Jayadhar (A) 28/32" staple.	30/32"	All places in the Dharwar district and Sampagaoan taluka of Balgaum district in the Mysore State (parts of former Bombay State).
M. G. Jayadhar (B) 27/32" staple.	29/32"	All places in the Belgaum (except Sampagaoan taluka) and Bijapur districts (parts of former State of Bombay), Chitaldrug district of the Mysore State and North and South.
M. G. Jayadhar (B) 27/32" staple.	29/32"	Satara and Kolhapur districts of the Bombay State.
M. G. Laxmi (A) 28/32" staple including M. A. 5.	30/32"	All places in the Dharwar district and Sampagaoan taluka of Belgaum district (parts of former Bombay State) and the Arsikere taluka of Hassan district of Mysore State.
M. G. Laxmi (B) 27/32" staple.	29/32"	All places in the Belgaum (except Sampagaoan) and Bijapur districts (parts of former Bombay State) and Bellary district and Raichur district of Mysore State (part of former Hyderabad State), North and South Satara and Kolhapur districts of the Bombay State, Kurnool, Cuddapah and Anantapur districts of the Andhra Pradesh State.

INDIAN COTTON CONTRACT

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Hedge Contract	Descriptions.	Tenderable up to	Places where cotton is pressed or grown.
(1)	(2)	(3)	(4)
	M. G. Cambodia 29/32" staple, including Avanashi, Cambodia Co2, Cambodia Co4 (including Co4/B40 and Madras Cambodia Uganda (MCU) 1 and 2 otherwise known as Rajapalayam and also Cambodia Co2, Co4, 170-Co2 and 134-Co2M grown in the Bombay State.	31/32"	All places in the North Arcot, South Arcot, Coimbatore, Salem, Tiruchirapalli, Mathurai, Ramnathapuram, Tirunelveli and Chingleput Districts of the Madras State, Nellore and Chittoor Districts of the Andhra Pradesh State, Kerala State and in the State of Bombay in respect of Cambodia Co2, Co4 and 170-Co2 and 134-Co2M.
	M. G. Karunganni 28/32" including Tinnevely, Salems (Nadam, Bourbon and Uppam) Karunganni K2 and Karunganni K5.	30/32"	All places in the Coimbatore, Mathurai, Ramnathapuram, Tirunelveli and Tiruchirapalli Districts of the Madras State.

Note:—A tolerance of 1/32" is allowed in respect of all the varieties mentioned above i.e. the Buyer shall be bound to take these cottons tendered if they are less by not more than 1/32" than the staple specified in Column (2) above.

APPENDIX No. 2

Glossary of Technical Expressions

1. *Forward Market*:—Legally speaking a contract of sale is made by an offer to buy or sell goods, for a price and the acceptance of such offer. Neither payment nor delivery is necessary. Nor are any special formalities necessary except when the provisions of any other law in force require it. There are two methods of marketing viz. (1) Ready and (2) Forward. Ready transactions are also known as spot transactions in which the buyer and seller arrange for sale and delivery of goods on payment immediately; ordinarily, therefore, delivery of or payment for goods are concurrent transactions. Forward transactions on the contrary are those in which the goods contracted are supplied at a future date.

Forward trading arises out of two-fold needs. In commodities like cotton and wheat which are grown in fields subject to weather conditions, they are marketed in certain seasons but which are consumed regularly and which require to be rationed for the benefit of consumers, in times of scarcity. In short, the supply has to be spread over a year and its continuity has to be ensured. Again it is not to the advantage of the producer to sell the entire lot immediately and it is not also feasible for the purchaser to effect an entire purchase of his requirements due to lack of finance, storage facilities e.g. a manufacturer cannot undertake to purchase the entire raw material far in advance of his plan of production. He has to calculate his cost of production in terms of price offered to his goods and he would have to make purchases of raw material accordingly. Similarly in the case of an exporter, he would need supply when he has an order to execute from abroad. Continuity of supply has to be ensured and that is why he resorts to forward trading.

Services of a Forward Market to the Community:—(1) Forward trading facilitates the even flow of goods from the producer to the consumer, without making the goods abnormally cheap during times of maximum production and abnormally dear during the off-season.

(2) It enables both the seller and the buyer to insure themselves against price fluctuations arising out of changes in market supply or demand.

(3) It introduces an element of stability in the trend of prices by evening out rapid and violent fluctuations.

(2) *Forward Contract*:—A contract for the delivery of goods at a future date and which is not a ready delivery contract.

A forward market functions through 3 types of contracts:—
(1) Non-transferable specific delivery contract, (2) transferable specific delivery contract, (3) hedge or futures contract. Differences in these contracts arise out of the conditions of delivery and mode of settlement.

Non-transferable specific delivery contract:—In both the transferable and the non-transferable specific delivery contracts, delivery is a common feature. In a non-transferable contract the goods have to be of a specified quality and have to be delivered in a specified quantity at a specified destination for a specified price. This contract resembles the ready delivery contract, in all respects except that the delivery takes place after a longer period than in the ready delivery contract. The settlement in the non-transferable specific delivery contract takes place through payment of the actual value of the goods by the buyer to the seller.

(4) *Transferable specific delivery contract*:—In a non-transferable specific delivery contract the rights and liabilities under the contract cannot be transferred while in a transferable contract, they can be so transferred with the consent of parties. In a transferable contract delivery cannot be refused to one who is declared as the last buyer by the exchange. In that contract the first seller does not know to whom he has to deliver the goods and the last buyer also does not know who is the first seller from whom he has to take delivery. The intermediate parties in a transferable contract drop out after payment of differences in prices and the delivery takes place between the first seller and the last buyer. Similar is the case in a future contract also insofar as the intermediate buyers and sellers are concerned. The transferable specific delivery contract occupies a position intermediate between the non-transferable specific

delivery contract and the futures contract. It has point of resemblance to both. Under the Forward Contracts Regulation Act 1952 it is put on par with the futures contract.

(5) *Futures Contract*—(a) *Hedge Contract*: (for purely protective transactions). In commodities like cotton, oil seeds, wheat, jute, the necessity for processing, transporting and storing makes delayed delivery necessary and this gives a legitimate opportunity for a futures contract. A futures contract may take the form of a hedge contract or a purely speculation transaction. Hedging is a transaction for off-setting losses and is a kind of insurance against price risks affecting the seller or buyer. It is quite common for one to take out a life insurance policy or to insure a car or other property in ordinary life. This principle is extended to marketing and hedging is a commodity insurance. The technique of entering into a futures contract has already been dealt with in the 1st volume of this book and may be briefly mentioned for ready reference as follows:—

A dealer enters into a contract to sell or purchase a commodity in the futures market against a previous purchase or sale of about an equal quantity in the ready or cash market with the expectation that the losses from fluctuations in the prices of the commodity in one market will be largely off-set by the gains from the fluctuations in the other market; for example, if a dealer who buys a certain quantity in the ready market and sells an equal quantity for future delivery he is said to have hedged his purchases. He has neutralized a buying risk in the ready market by selling futures. Similarly if a manufacturer contracts to deliver his manufactured product at a later date, and buys the raw material to be delivered to him near about the same future date, he has hedged the sale of his goods. He has neutralized a selling risk in the ready market by buying futures. In both the cases, there are actual transactions in the goods in the ready market which off-set the futures transactions. Thus in a hedge contract no delivery can be thought of and it is not at all contemplated. The hedge contract is worked on the following principles.

(1) Being essentially an instrument of insurance to both the buyer and seller, the acquisition or/and disposal of property

through its medium is discouraged. If this principle is neglected it would encourage manipulations, and turn the hedge contract into a delivery contract, with the possible consequent dislocation of the hedge market. This would affect adversely the interests of growers and traders.

(2) It should be properly balanced. It is to provide an equal measure of protection and opportunity to both the buyer and seller.

(3) It should represent a fairly close relation to cash value of the commodity.

(4) Adequate safeguards should be provided to protect it against speculative manipulation in times of stress when sudden and unexpected development may encourage such manipulations.

(b) *Purely Speculative Contract or Futures Contract*:—The role of the professional speculator assumes importance since there is inevitably some excess demand or excess supply in the market that remains uncovered. The uncovered uncertainties are borne by him in return for speculative profits; when prices rise owing to short supply in relation to demand, the speculator bridges the gap by putting on the market the speculative supply to equate demand and *vice versa* and by these operations, he brings about a stability in prices. He buys and sells futures contracts, without any corresponding transactions in the ready market. While his motives are different from those of a genuine hedger the transactions entered into are largely similar. When a transaction takes place for future delivery, it is not possible to tell whether the seller is hedging his transactions in the ready market or he is simply speculating. A transaction for future delivery may take place between two hedgers or two professional speculators, or between a speculator and a hedger.

As already stated, it is often not desirable to insist on effecting actual delivery in respect of futures transactions. In the first place the parties involved in the transactions, may not be genuine hedgers as one of the parties may be a pure speculator not interested in taking or giving delivery. Even if they are hedgers, they may be interested in only a particular quality available at a particular date. Futures contracts are in most cases closed out by off-setting sales or purchases and settled by payment

of differences. A futures contract is a basis contract in which delivery is not generally intended. The contract is traded in terms of a basis quality, believed to be the representative of the commodity concerned and capable of influencing the price of other varieties of the same commodity if at all delivery is insisted, it is made either in terms of basic variety or one of the different tenderable varieties specified by the exchange. The selection of tenderable varieties therefore, assumes importance. If the tenderable varieties cover only a small proportion of the commodity the contract tends to become narrow and the choice of tendering varieties other than the basis variety might become ineffective. A very wide choice of tenderable varieties on the other hand may make the contract so wide that the basis might lose its representative character.

When it is open to tender one of many varieties and give delivery on any one of a specified number of days, at any one of a specific number of centres, a large number of alternatives are open to the buyer and seller. The question is of importance because if the buyer was required to take delivery of a variety for which he has no use he would have to sell it in the ready market and similarly if a seller is required to deliver a variety he did not possess, he would have to purchase in the ready market. Since prices in the ready market might vary with the prices quoted for the futures contract, the transaction might involve a loss to the buyer or seller as the case may be.

In actual practice the seller enjoys the option to deliver. A seller's option gives a bearish character to the contract, since the buyer is less willing to purchase the contract, not knowing what would be offered to him on delivery and on what date and at what centre. The existence of a futures market leads to the prevalence of two price quotations, the spot price, and the contract price. The normal relationship between the two is governed by the cost of carrying the stocks to the future date. The ready and the futures prices run parallel to each other. In case of disparity between the two prices, the parallism is enforced by the requirement for delivery against futures contract. Though actual delivery takes place in rare instances, the right to give or take delivery acts as check on diverging movements between ready and future prices and serves to keep both the

markets in balance. If futures prices for the contract or basic quality remained substantially out of parity with ready prices over an appreciable length of time, arbitrage operations would correct the situation though there are limitations to such transactions.

(6) *Havala*:—It means an adjustment of a transactions, e.g. A who is a purchaser from B certain quantity of goods under a contract sells the same to C. He brings B the seller and C the purchaser of the goods or the contract as the case may be so that he might himself drop out.

7. *Ready Delivery Contract*:—A contract which provides for the delivery of goods and a payment of a price therefor either immediately or within such period not exceeding 11 days after the date of the contract subject to such conditions as the Central Government may specify in respect of any goods the period under such contract not being capable of extension by the mutual consent of the parties thereto or otherwise.

8. *Authorized Representative of a Member*:—A person recognized as such under Article No. 16(A) of the Articles of Association of the East India Cotton Association.

9. *Nominated Representative*:—A person who has been appointed by a member of the East India Cotton Association Ltd. as his or its nominated representative and whose appointment has been communicated to the Secretary. No member is allowed to appoint more than 2 representatives each of whom must be a resident of Bombay or in the Suburbans area and must be a member or an employee, partner or debtor of a member.

10. *Buying on account*:—Buying actual spot cotton on account of the seller who has either failed to tender or whose tender has been rejected or deemed to have been rejected in which case the buyer should pay or receive from the seller the difference if any between the rate he actually pays for the cotton, and

(a) if a tender has been made, the rate in the Delivery Order ;

- (b) if no tender is made, the settlement or the contract rate which is later in date after adjusting mutual allowance under bylaw 77.

11. *A Burst Bale*:—Means in the case of India cotton a bale which had more than one hoop opened if it is bound with 3 or more hoops and which had one hoop opened if it is bound with less than 3 hoops provided that the Board has power from time to time to define a burst bale in the case of a bale bound otherwise than with hoops, the tender of which with such other binding is permissible.

12. *Candy*:—Means 784 lbs.

13. *Closing out the Contract*:—The expression means that when a seller instead of selling on account of the buyer accepts the spot rate of the cotton for the appropriate day, receives or pays as the case may be the difference between such spot rate and the contract rate or the last settlement rate whichever is the later in date.

14. *Classes or Grades of Cotton*:—Include (1) Extra Superfine, Superfine, Fine, Fully Good to Fine, Fully Good, Good to fully Good, Good Fully, Good Fair to Good and Fully Good Fair.

15. *Clearing House*:—Means the premises where and the system by which the claims and liabilities of members to each other in respect of cotton business and liabilities to the association are received, adjusted and paid.

16. *Due Date*:—The latest day for delivery. In the case of the Hedge Contract this is the 25th of the month of delivery. In the case of Delivery Contracts, it is the last day of the period of delivery specified in the contracts. A Due Date which would otherwise fall on a holiday or Sunday shall in every such case be deemed and taken to be the immediately preceding working day.

17. *False or Fraudulent Packing*:—Means packing of a bale of cotton:—

(1) In such a manner as to contain in different parts of the bale, cotton of different growths or varieties or cotton of different staples or cotton of different crops

(2) In such a manner as to contain in any part of the bale any by-products such as waste, fly or other by-products of a cotton mill available after raw cotton is passed through the blow room.

(3) In such a manner as to contain in any part of the bale any concealed substance other than raw cotton.

(4) In such a manner as to contain in the interior cotton decidedly inferior to that upon the exterior and not readily detectable on the customary examination. Provided, that as regards all classes 1-4 above the packing complained of is such as materially reduces the value of the bale and/or appears to have been done deliberately. Provided further that when drawn from the top and bottom and middle of the bale it shows a difference of more than two grades or a difference in colour exceeding two grades in value such bale is considered to be falsely packed.

18. *A Fully Pressed Bale* :—In the case of India and Pakistan cotton means a bale of cotton covered with hessian bound with hoops and pressed to a density of net less than 30 lbs. per cubic foot or bound with such other binding material as may be permitted by the Board and pressed to such a density as may be prescribed by the Board.

19. *Godown* :—A structure having a plinth, roof and continuous external walls and includes any other structure approved by the Board.

20. *Invoice Back* :—The expression means that when a tender is rejected or is deemed to have been rejected by the buyer he, instead of buying on account of the seller accepts the spot rate of the appropriate day and pays and receives as the case may be, the difference between spot rate and the rate given in delivery order and if no tender is made, the buyer instead of buying on account receives or pays the difference between the spot rate for the appropriate day and the contract rate or the last settlement rate whichever is the later in date.

21. *Jaitha* :—The term Jaitha means a plot of land separately demarcated and numbered on which cotton bales are stored and includes a privately owned storing ground on or near the quays which are known to the trade as bunders but not the yards

and/or sidings and/or sheds of the Railway Companies unless specially hired as private storing ground.

22. *Jaitha Terms* :—Wherein any contract under the bye-laws of the E.I.C.A. Ltd. delivery is stipulated to be made on Jaitha terms, such expression means that the cotton is to be delivered from a Jaitha or godown situated on the Cotton Green, Sewri or at such other places in Bombay as the Board may from time to time determine. The following allowances apply to contracts on Jaitha Terms :

(a) For cotton sold and approved between 1st December and 31st May known as the dry season, a seasonal allowance at the rate of half a pound per bale for Indian, Pakistan, East African and Sudan cotton and 1 lb. per candy in the case of other cottons.

(b) For cotton sold and approved between 1st June and 30th September known as the monsoon season a seasonal allowance at the rate of 1 lb. per bale for Indian, Pakistan, East African and Sudan Cotton and 2 lbs. per candy in the case of other cottons.

(c) A sample allowance at the rate of 10 lbs. per 100 bales.

(d) Brokerage allowance to the buyer except for delivery on the Hedge Contract @ $\frac{1}{4}$ per cent of the invoice rate.

23. *Market Rate of the Day or the Room Rate* :—The daily rate for ready and/or forward cotton fixed and registered by the Authority competent under the bylaws of the E.I.C. Association Ltd.

24. *M. G. or Machine Ginned* :—Means roller ginned cotton only and not sew ginned cotton.

25. *New Mill Terms* :—Wherein any contract made under the bye-laws of the E.I.C.A. Ltd., delivery is stipulated to be made on New Mill Terms such expression means, that the cotton is to be delivered in Bombay and the following allowance would apply to such contract :—

(a) Same as in the case of Jaitha Terms.

(b) —do—

(c) —do—

(d) —do—

26. *Non-Working Day*:—A day other than a working day.

27. *Railway Terms*:—Railway Terms are terms under which cotton for delivery in Bombay is tendered by delivery of a Railway Receipt or a bill of lading but a delivery order would be a good tender of cotton sold on Railway Terms.

28. *Spot Rate*:—Ordinarily means the market rate of the day for ready cotton and would also include when the circumstances so require, any rate for ready cotton fixed by the Authority competent under the bylaws of the E.I.C.A. Ltd. to do so, e.g. in the case of insolvency of or suspension of payment by a member or of an emergency in the trade actual or anticipated or any spot rate fixed under bylaw 52 B.

29. *Official Year*:—Means the period from 1st of September to 31st August.

30. *Working Day*:—Means a day on which all transactions, matters, and things authorized by the bylaws of the E.I.C.A. Ltd. (including the sale and purchase of cotton) are permitted.

31. *Trading Day*:—Means a day on which the sale or purchase of Hedge Contract is permitted.

N.B.—In the event of any emergency the Board may at their description and with the approval of 75 per cent of the members present by a resolution passed by them and posted on the Notice Boards extend or suspend from such date as may be specified in the Resolution, the period of time mentioned in any of these bylaws. The Board has no power to alter the Due Date as defined in bylaw.

Technical Expressions used by the Bombay Oil Seeds Exchange

32. *Settlement Rate*:—Means the rate fixed by the Board of the Bombay Oil Seeds Exchange or by a Committee approved by the Board for the purpose of payment between members of differences pertaining to outstanding transactions.

33. *Settlement Date*:—Means the day fixed by the Board or the Committee approved by the Board for members to submit their Balance Sheets and Vouchers to the Clearing House.

34. *Payment Date*:—Means the day fixed by the Board or a Committee approved by the Board on which members have to pay according to their Balance Sheets amounts due into the prescribed Bank on Clearing House account.

35. *Delivery Month or Delivery Period*:—Means the month or the period during which the goods are tendered in terms of the contract in fulfilment of forward transactions.

36. *Due Date Rate*:—Means the date fixed by the Board for the due date.

37. *Forward Market Rate*:—Means the rate of Forward Transactions on any day fixed by the Board or by a Committee approved by the Board.

38. *Bazar Delivery Terms or Bazar Dhara Terms*:—Are the terms under which delivery weighment and sampling of goods against a contract are done in the sellers' godown and the weight of gunnies is included in the weight of goods.

39. *Delivery Contract*:—Means a forward contract other than the Hedge Contract.

40. *Ready Delivery Contract*:—Means a contract in which delivery is to be taken and given within seven days of the date of the contract.

41. *Notice Board*:—Means each and all of the Notice Boards of the Exchange/Association put in the premises occupied by them. (1) at the Registered office, (2) the Trading Ring wherever the same may be.

42. *Maund*:—Means 82 $\frac{2}{7}$ lbs.

43. *Candy or Khandi*:—Means 784 lbs. in cotton seed and 560 lbs. in other seeds.

44. *Ton*:—Means 2,240 lbs.

45. *CWT*:—Means 112 lbs.

46. *Official year in the case of the Bombay Oil Seeds Exchange*:—The Samvat year commencing from 1st of Kartik and ending on 30th of Ashwin.

Technical words used by cotton sale societies or
Regulated Markets

47. *1 Bhar*:—The quantity of cotton in a Bhar in Gujarat varies from 924 lbs. to 1,024 lbs.
48. *1 Bale*:—Half a candy or 392 lbs. of cotton.
49. *1 Nag*:—1,344 lbs. of cotton (used in the Karnatak region).
50. *1 Docra*:—336 lbs. used in the Karnatak region.
51. *1 Andegi*:—2 docras=672 lbs. of cotton. Used in the Karnatak region.

APPENDIX No. 3

Districtwise Distribution of Mandis or Wholesale Markets in the Indian Union (prior to reorganisation of States)

Name of the State	Approximate Total Number of Mandis.	District Place and Number of Mandis in each District.
1. Assam	54	Khasi and Jaintia Hills (18), Sylhet (16), Naga Hills (5), Nowgong (4), Goalpara (4), Kamrup (4), Cachar (2), and Lakhimpur (1).
2. West Bengal	113	24 Paraganas (27), Nadia (13), Hoogly (12), Midnapure (10), Murshidabad (9), Malda (6), Birbhum (5), Bankura (5), Howrah (4), Burdwan (13), Calcutta (3), Dinajpur (3), Darjeeling (2), Jalpaiguri (1).
3. Bihar	74	Patna (9), Gaya (7), Shahabad (6), Monghyr (6), Muzza- farpur (5), Darbhanga (5), Purnea (5), Santhal Para- ganas (5), Manbhum (5), Singbhum (5), Ranchi (4), Saran (3), Hazaribag (3), Palamau (2), Champaran (2), and Bhagalpur (2).

Name of the State	Approximate Total Number of Mandis.	District Place and Number of Mandis in each District.
4. Bombay	198	Poona (18), Sholapur (14), Satara (13), Kaira (12), Thana (12), East Khandesh (12), Belgaum (11), Nasik (11), Dharwar (10), Ahmednagar (9), Kolaba (9), Ratnagiri (8), Bijapur (9), West Khandesh (7), North Canara (6), Bombay and Suburban (2), Ahmedabad (10), Surat (10), Panchmahals (7) and Broach (8).
5. Madhya Pradesh including Berar	64	Hoshangabad (7), Akola (6), Amaroati (6), Saugor (6), Buldana (5), Yeotmal (5), Nagpur (5), Jabalpure (3), Nimar (3), Wardha (3), Bilaspur (3), Raipur (3), Mandla (2), Chhindwara (2), Bhandara (2), Betul (1), Drug (1), Chanda (1) and Balaghat (1).
6. Coorg	9	Coorg (9).
7. Delhi	4	Delhi (4).
8. Madras including Andhra	237	South Arcot (10), East Godavari (9), Kistna (9), Guntur (9), West Godavari (8), Nellore (8), Ramnad (8), Chingleput (7), Anantpur (6), Kurnul (6), Chittoor (6), Trichinopoly (6), Bellary (5), South Kanara (5), Madura (3) and Nilgiris (1).
9. Orissa	30	Ganjam (10), Cuttack (5), Puri (4), Sambalpur (4), Koraput (4) and Balasore (3).

10. East Punjab.	75	Ferozepur (11), Amritsar (4), Kangra (5), Jullundur (9), Hissar (10), Ludhiana (5), Karnal (6), Gurgaon (8), Rohtak (4), Hoshiarpur (3), Gurdaspur (5) and Ambala (5).
11. Rajasthan	7	Ajmer-Merwara (7).
12. Uttar Pradesh	477	Barilly (38), Rae Bareilly (27), Gorakhpur (26), Ballia (21), Hardoi (21), Budaun (20), Cawnpore (19), Par- tagarh (15), Naini Tal (14), Allahabad (14), Etah (14), Sitapur (13), Muttra (13), Aligarh (12), Jhansi (12), Meerut (11), Fatepur (11), Bijnor (10), Barabanki (10), Bulandshahr (10), Etawah (9), Jaunpur (9), Azamgarh (9), Agra (8), Moradabad (8), Unao (8), Sultanpur (8), Bahraich (8), Mainpuri (7), Shahjahanpur (7), Fyzabad (7), Banda (6), Lucknow (6), Sahranpur (5), Mirzapur (5), Ghazipur (5), Kheri (5), Jalaun (5), Hamirpur (5), Pilibhit (4), Farrukhabad (3), Gonda (3), Basti (3) Dehra Dun (2) and Almora (1).
13. States	163	Hyderabad (50), Gwalior (45), Bhopal (30), Patiala (24), Baroda (11), Cochin (2), Udaipur (1), others merged in the various States in the Indian Union.
14. Mysore (Prior to reorganisation)	8	— — — — —
Total ...		1,513

APPENDIX No. 4

THE AGRICULTURAL PRODUCE (DEVELOPMENT
AND WAREHOUSING) CORPORATIONS ACT, 1956

CHAPTER I

PRELIMINARY

Short title, extent and commencement

1. (1) This Act may be called the Agricultural Produce (Development and Warehousing) Corporations Act, 1956.

(2) It extends to the whole of India except the State of Jammu and Kashmir.

(3) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Definitions

2. In this Act, unless the context otherwise requires,—

(a) “agricultural produce” means any of the following classes of commodities, namely :—

(i) foodstuffs, including edible oil-seeds ;

(ii) cattle fodder, including oil-cakes and other concentrates ;

(iii) raw cotton, whether ginned or unginned, and cotton seed ;

(iv) raw jute ; and

(v) vegetable oils ;

(b) “appropriate Government” means in relation to the Board and the Central Warehousing Corporation, the Central Government, and in relation to a State Warehousing Corporation, the State Government ;

(c) “Board” means the National Co-operative Development and Warehousing Board established under section 3 ;

- (d) "Central Warehousing Corporation" means the Central Warehousing Corporation established under section 17 ;
- (e) "Co-operative Society" means a society registered or deemed to be registered under the Co-operative Societies Act, 1912 or under any other law for the time being in force in any State relating to co-operative societies which is engaged in any of the activities specified in sub-section (1) of section 9 and and includes a co-operative land mortgage Bank ; (2 of 1912).
- (f) "prescribed" means prescribed by rules made under this Act ;
- (g) "recognised association" means an association which is for the time being recognised by the Central Government under section 6 of the Forward Contracts (Regulation) Act, 1952 ; (74 of 1952).
- (h) "Reserve Bank" means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934 ; (2 of 1934).
- (i) "scheduled bank" means a bank for the time being included in the Second Schedule to the Reserve Bank of India Act, 1934 ; (2 of 1934).
- (j) "State Bank" means the State Bank of India constituted under the State Bank of India Act, 1955 ; (23 of 1955).
- (k) "State Warehousing Corporation" means a Warehousing Corporation for a State established under section 28 ;
- (l) "Warehousing Corporation" means a Warehousing Corporation established under this Act ; and
- (m) "year" means the financial year.

CHAPTER II

THE NATIONAL CO-OPERATIVE DEVELOPMENT AND WAREHOUSING BOARD

Establishment of the National Co-operative Development and Warehousing Board

3. (1) With effect from such date as the Central Government may, by notification in the Official Gazette, fix in this be-

half, there shall be established at New Delhi a Corporation by the name of the National Co-operative Development and Warehousing Board which shall be a body corporate having perpetual succession and a common seal with power to acquire, hold and dispose of property and to contract, and may, in the said name, sue and be sued.

(2) The Board shall consist of the following members :—

- (i) ten members representing the Central Government, to be nominated by that Government in such manner as may be prescribed ;
- (ii) the Chairman of the Forward Markets Commission established under the Forward Contracts (Regulation) Act, 1952, ex-officio ; (74 of 1952).
- (iii) one representative of the Reserve Bank, nominated by the Central Government ;
- (iv) one representative of the State Bank, nominated by the Central Government ;
- (v) nine non-officials, nominated by the Central Government of whom—
 - (a) one shall be a person who has special knowledge of rural economics ; and
 - (b) four shall be persons who have experience of co-operative societies, one being a person who has also special knowledge of co-operative education.

(3) A member of the Board nominated by the Central Government may be nominated by virtue of office.

(4) There shall be a Chairman and a Vice-Chairman of the Board who shall be chosen from among the members of the Board in such manner as may be prescribed.

Disqualification for being a member of Board

4. A person shall be disqualified for being chosen as, or for being, a member of the Board who—

(i) is, or at any time has been, adjudicated insolvent or has suspended payment of his debts or has compounded with his creditors ; or

(ii) is or has been convicted of any offence involving moral turpitude ; or

(iii) is a salaried official of the Board or of a Warehousing Corporation.

Term of office of members of Board

5. (1) The term of office of members of the Board and the manner of filling vacancies among members shall be such as may be prescribed.

(2) Any member of the Board other than an *ex-officio* member may resign his office by giving notice in writing to the Central Government and on such resignation being accepted he shall be deemed to have vacated his office.

Removal from office of member, etc.

6. The Central Government may, at any time, remove from office any member other than an *ex-officio* member of the Board after giving him a reasonable opportunity of showing cause against proposed removal.

Meetings, etc., of Board

7. (1) The Board shall meet at such times and places and shall, subject to the provisions of sub-sections (2) and (3) observe such procedure in regard to transaction of business at its meetings (including the quorum at meetings) as may be provided by regulations made by the Board under this Act.

(2) The Chairman or, in his absence, the Vice-Chairman or, in the absence of both the Chairman and the Vice-Chairman, any member chosen by the members present from amongst themselves, shall preside at a meeting of the Board.

(3) All questions at a meeting of the Board shall be decided by a majority of the votes of the members present and voting, and in the case of equality of votes, the Chairman, or, in his absence, the Vice-Chairman, or, in the absence of both the Chairman and the Vice-Chairman, the person presiding shall have a second or casting vote.

Officers and other employees of Board

8. (1) The Central Government shall, in consultation with the Board, appoint a person to be the Secretary of the Board.

(2) Subject to such rules as may be made by the Central Government in this behalf, the Board may appoint such other officers and employees as it considers necessary for the efficient performance of its functions.

(3) The methods of appointment, the conditions of service and the scales of pay of the officers and other employees of the Board shall,—

(a) as respects the Secretary, be such as may be prescribed ; and

(b) as respects the other officers and employees, be such as may be determined by regulations made by the Board under this Act.

Functions of Board

9. (1) Subject to the provisions of this Act, the functions of the Board shall be to plan and promote programmes for the production, processing, marketing, storage, warehousing, export and import of agricultural produce through a co-operative society or a Warehousing Corporation.

(2) In particular and without prejudice to the generality of the foregoing provisions, the Board may—

(a) advance loans or grant subsidies to State Governments for financing co-operative societies ;

(b) provide funds to a State Government or a Warehousing Corporation for financing co-operative societies for the purchase of agricultural produce on behalf of the Central Government ;

(c) subscribe to the share capital of the Central Warehousing Corporation or advance loans or grant subsidies to that corporation or any State Warehousing Corporation ; and

(d) plan and promote programmes through co-operative societies for the supply of seeds, manures, fertilisers, agricultural implements and other articles for the development of agricultural produce.

(3) The Board shall so exercise its functions under this section as not to interfere with the activities of the All-India Khadi and Village Industries Board set up by the Central Government.

Executive Committee of Board

10. (1) There shall be an Executive Committee of the Board which shall consist of the following members, namely :—

(a) the Vice-Chairman of the Board ;

(b) three members nominated by the Central Government in such manner as may be prescribed, from among the members of the Board referred to in clauses (i), (ii) and (iv) of sub-section (2) of section 3 ;

(c) the representative of the Reserve Bank nominated under clause (iii) of sub-section (2) of section 3 ;

(d) two members nominated by the Central Government from among the members of the Board referred to in clause (v) of sub-section (2) of section 3.

(2) (a) The Vice-Chairman of the Board shall be the Chairman of the Executive Committee.

(b) The Vice-Chairman of the Executive Committee shall be nominated in such manner as may be prescribed, from among the members referred to in clause (b) of sub-section (1).

(3) Subject to the general control, direction and superintendence of the Board, the Executive Committee shall be competent to deal with any matter within the competence of the Board.

(4) The Executive Committee shall meet at such times and at such places and shall observe such procedure in regard to transaction of business at its meeting (including the quorum at meetings) as may be provided by regulations made by the Board under this Act.

(5) The minutes of every meeting of the Executive Committee shall be laid before the Board at its next following meeting.

Grants by the Central Government to Board

11. The Central Government shall, after due appropriation made by Parliament by law in this behalf, pay to the Board—

(a) a non-recurring grant of five crores of rupees and a recurring grant in each year of a sum of five crores of rupees during the period of five years from the commencement of this Act ;

Provided that the Central Government may increase or reduce the amount of such non-recurring grant or the annual recurring grant in any year having regard to the actual requirements of the Board ;

(b) after the expiration of the said period of five years, such sums as the Central Government may from time to time deem necessary to enable the Board to perform its functions under this Act.

Board to Maintain two Funds

12. (1) The Board shall maintain two separate funds, namely:—

(a) the National Co-operative Development Fund (hereinafter referred to as “the Development Fund”);

(b) the National Warehousing Development Fund hereinafter referred to as “the Warehousing Fund”).

(2) The Board may, with the approval of the Central Government, make re-appropriations between the two funds.

Development Fund.

13. (1) To the Development Fund shall be credited:—

(a) three-fifths of the annual recurring grant referred to in section 11 ;

(b) such additional grants as the Central Government may make to the Board for the purposes of the Fund ; and

(c) such sums of money as may, from time to time, be realised out of repayment of loans made from the Fund or from interest on loans or dividends on investments made from the Fund.

(2) The Development Fund shall be applied for advancing loans and granting subsidies to State Governments on such terms and conditions as the Board may deem fit for the purpose of

enabling State Governments to subscribe to the share capital of co-operative societies or for otherwise financing co-operative societies.

Warehousing Fund

14. (1) To the Warehousing Fund shall be credited—

(a) the non-recurring grant of five crores of rupees and two-fifths of the annual recurring grant referred to in section 11 ;

(b) such additional grants as the Central Government may make to the Board for the purposes of the Fund ;

(c) such sums of money as may, from time to time, be realised out of loans made from the Fund or from interest on loans or dividends on investments made from the Fund.

(2) The Warehousing Fund shall be applied—

(a) for subscribing to the share capital of the Central Warehousing Corporation ;

(b) for advancing loans to State Governments on such terms and conditions as the Board may deem fit for the purpose of enabling them to subscribe to the share capital of State Warehousing Corporations ;

(c) for advancing loans and granting subsidies to a Warehousing Corporation or to a State Government for the purpose of promoting the warehousing and storage of agricultural produce.

Returns and Reports

15. (1) The Board shall furnish to the Central Government at such times and in such form and manner as may be prescribed or as the Central Government may direct, such returns and statements and such particulars in regard to the discharge of its functions under this Act as the Central Government may, from time to time, require.

(2) Without prejudice to the provisions of sub-section (1), the Board shall, as soon as possible, after the end of each year, submit to the Central Government a report, in such form and manner and before such date as may be prescribed, giving a true and

full account of its activities, policy and programme during the previous year.

(3) A copy of the report received under sub-section (2) shall be laid before both Houses of Parliament.

Directions by Central Government

16. In the discharge of its functions, the Board shall be guided by such directions as may be given to it by the Central Government.

CHAPTER III

THE CENTRAL WAREHOUSING CORPORATION

The Central Warehousing Corporation

17. (1) With effect from such date as the Central Government may, by notification in the Official Gazette, fix in this behalf, there shall be established a Corporation by the name of Central Warehousing Corporation which shall be a body corporate having perpetual succession and a common seal with power to acquire, hold and dispose of property and to contract and may, by the said name, sue and be sued.

(2) The head office of the Central Warehousing Corporation shall be at New Delhi.

Share Capital and Shareholders

18. (1) The authorised capital of the Central Warehousing Corporation shall be twenty crores of rupees divided into two hundred thousand shares of the face value of one thousand rupees each, of which one hundred thousand shares of the total face value of ten crores of rupees shall be issued in the first instance, and the remaining shares may be issued, with the sanction of the Central Government from time to time, as and when the Central Warehousing Corporation may deem fit.

(2) Of the capital issued in the first instance—

(a) the Board shall subscribed for forty thousand shares ;

(b) on application made before such date as may be notified by the Central Government in the Official Gazette in this behalf:—

(i) the State Bank may subscribe for ten thousand shares ;

(ii) other scheduled banks may subscribe for twelve thousand and five hundred shares ;

(iii) co-operative societies may subscribe for two thousand and five hundred shares ;

(iv) insurance companies, investment trusts and other classes of financial institutions may subscribe for thirty thousand shares ; and

(v) recognised associations and joint stock companies dealing in agricultural produce may subscribe for five thousand shares.

(3) If any shares referred to in clause (b) of sub-section (2) remain unallotted, they may be subscribed for by the Board and the State Bank in such proportion as may be agreed upon between them.

(4) If and when the remaining one hundred thousand shares or any part thereof are issued, the Board, the State Bank and the other institutions referred to in sub-section (2) may subscribe for such shares in such proportion as the Board may determine at the time of the issue of the shares.

(5) Notwithstanding anything contained in this section, no institution belonging to any of the classes referred to in sub-clause (ii), (iii) (iv) or (v) of clause (b) of sub-section (2) shall be entitled to subscribe for more than twenty-five per cent of the share capital reserved for that class of institution under the said clause.

(6) The shares of the Central Warehousing Corporation shall not be transferable except to the Board, the State Bank, any scheduled bank, any insurance company, any investment trust or other financial institution or any co-operative society or any recognised association or joint stock company dealing in agricultural produce, in accordance with the regulations made by the Central Warehousing Corporation under this Act.

*Shares to be Guaranteed by Central Government and
to be Truſteed or Approved Securities*

19. (1) The shares of the Central Warehousing Corporation shall be guaranteed by the Central Government as to the repay-

ment of the principal and the payment of the annual dividend at such minimum rate as may be fixed by the Central Government by notification published in the Official Gazette at the time of the issue of the shares.

(2) Notwithstanding anything contained in the Acts mentioned in this sub-section, the shares of the Central Warehousing Corporation shall be deemed to be included among the securities enumerated in section 20 of the Indian Trusts Act, 1882, and also to be approved securities for the purpose of the Insurance Act, 1938 and the Banking Companies Act, 1942. (2 of 1882). (4 of 1938). (10 to 1949).

Management of Central Warehousing Corporation

(20) (1) The general superintendence and management of the affairs and business of the Central Warehousing Corporation shall vest in a board of directors who, with the assistance of an Executive Committee and a managing director, may exercise all the powers and discharge all the functions which may be exercised or discharged by the Central Warehousing Corporation under this Act.

(2) The directors in discharging their functions under this Act shall act on business principles having regard to public interest and shall be guided by such instructions on questions of policy as may be given to them by the Board.

(3) If any doubt arises as to whether a question is or is not a question of policy, the decision of the Board shall be final.

Directors

21. (1) The board of directors, referred to in section 20, shall consist of the following, namely :—

(a) all members of the Executive Committee of the Board referred to in sub-section (1) of section 10 ;

(b) two directors, nominated by the Board in the prescribed manner from among the members of the Board other than those who are members of the Executive Committee of the Board ;

(c) the representative of the State Bank on the Board ;

(d) one director to be elected in the prescribed manner by each of the following classes of shareholders of the Central Warehousing Corporation, namely :—

(i) scheduled banks,

(ii) co-operative societies,

(iii) insurance companies, investment trusts and other financial institutions, and

(iv) recognised associations and joint stock companies dealing in agricultural produce ;

(e) a managing director, appointed by the Board in consultation with the directors referred to in clause (a) to (d).

(2) The four directors to be elected under clause (d) of sub-section (1) may, for the first constitution of the board of directors, be nominated by the Central Government in consultation with the Board in such manner as to give representation to each class of institutions (whether they have become shareholders of the Corporation or not) referred to in that clause, but a director so nominated shall hold office only until he is replaced by a director elected as provided in that clause, and the director so elected shall hold office only for so long as the director replaced would have held office had he not been replaced.

(3) If, within the period prescribed in this behalf, or within such further period as the Central Government may allow, any class of institutions referred to in clause (d) of sub-section (1) fails to elect a director, the Board may nominate a director to fill the vacancy.

(4) The Vice-Chairman of the Board shall be the Chairman of the board of directors.

(5) The Vice-Chairman of the Executive Committee of the Board shall be the Vice-Chairman of the board of directors.

(6) The managing director shall—

(a) be a whole-time officer of the Central Warehousing Corporation ;

(b) perform such duties as the Central Warehousing Corporation may by regulations made under this Act entrust or delegate to him ; and

(c) receive such salary and allowances as the Central Warehousing Corporation may, with the approval of the Board, fix.

(7) The directors of the Central Warehousing Corporation other than a managing director shall be entitled to receive by way of remuneration such sums as the Central Warehousing Corporation may, with the approval of the Board, fix :—

Provided that no official director shall be entitled to receive any remuneration other than the allowances, if any, admissible to him under the rules regulating his conditions of service.

(8) The term of office of, and the manner of filling casual vacancies among, the directors shall be such as may be prescribed.

Disqualification for office of Director of the Central Warehousing Corporation

22. A person shall be disqualified for being chosen as, or for being a member of the board of directors of the Central Warehousing Corporation who :—

- (i) is found to be a lunatic or becomes of unsound mind ; or
- (ii) is, or at any time has been, adjudicated insolvent or has suspended payment of his debts or has compounded with his creditors ; or
- (iii) is or has been convicted of any offence involving moral turpitude ; or
- (iv) has been removed or dismissed from the service of Government on a charge of corruption or bribery ; or
- (v) except in the case of the managing director, is a salaried official of the Board or of the Central Warehousing Corporation or any State Warehousing Corporation ; or
- (vi) has directly or indirectly any interest in any subsisting contract made with, or in any work being done for the Central Warehousing Corporation except as a shareholder (other than a director) in any public company as defined in the Companies Act, 1956 : 1 of 1956.

Provided that where any such person is a shareholder, he shall disclose to the Central Warehousing Corporation the nature and extent of share held by him in such company.

Removal of directors from office

23. (1) The Board may, at any time in consultation with the Central Warehousing Corporation and with the previous approval of the Central Government, remove the managing director from office after giving him a reasonable opportunity of showing cause against the proposed removal.

(2) The Board of directors may remove from office any director who—

(a) is or has become subject to any of the disqualifications mentioned in section 22 ; or

(b) is absent without leave of the board of directors for more than three consecutive meetings of the board without excuse, sufficient in the opinion of the board, to exonerate his absence.

Appointment of Officers, etc. and their Conditions of Service

24. (1) The Central Warehousing Corporation may appoint such officers and other employees as it considers necessary for the efficient performance of its functions.

(2) Every person employed by the Central Warehousing Corporation under this Act shall be subject to such conditions of service and shall be entitled to such remuneration as may be determined by regulations made by the Corporation under this Act.

*Functions of Central Warehousing Corporation**Executive Committee*

25. Subject to the provisions of this Act, the Central Warehousing Corporation may—

(a) acquire and build godowns and warehouses at such suitable places in India as it thinks fit ;

(b) run warehouses for the storage of agricultural produce, seeds, manures, fertilizers and agricultural implements offered by individuals, co-operative societies and other institutions ;

(c) arrange facilities for the transport of agricultural produce to and from warehouses ;

(d) subscribe to the share capital of a State Warehousing Corporation ;

(e) act as agent of the Board or of the Government for the purposes of the purchase, sale, storage and distribution of agricultural produce, seeds, manures, fertilizers and agricultural implements ; and

(f) carry out such other functions as may be prescribed.

26. (1) There shall be an Executive Committee of the Central Warehousing Corporation which shall consist of—

(a) the Chairman and Vice-Chairman of the board of directors ;

(b) the managing director ; and

(c) two other directors chosen by the Corporation in the prescribed manner.

(2) The Chairman and the Vice-Chairman of the board of directors shall be the Chairman and Vice-Chairman respectively of the Executive Committee.

(3) Subject to the general control, direction and superintendence of the board of directors, the Executive Committee shall be competent to deal with any matter within the competence of the Central Warehousing Corporation.

Meetings of the Corporation

27. (1) The annual general meeting of the Central Warehousing Corporation (hereinafter referred to as the annual general meeting) shall be held every year either at its head office or at any other office of the Corporation within three months from the date on which the annual accounts of the Corporation are closed, and any other general meeting may be convened by the directors at any other time.

(2) The shareholders present at the annual general meeting shall be entitled to discuss the annual accounts, report of the directors on the working of the Corporation during the year under report, as well as the auditors' report on the annual balance-sheet and accounts.

(3) The directors of the Central Warehousing Corporation shall, on the requisition of one-third of the number of shareholders of the Corporation, call a special meeting of the Corporation.

(4) The requisition for a special meeting under sub-section (3) shall state the object of the meeting, and must be signed by the requisitionists and deposited at the head office of the Corporation, and may consist of several documents in like form each signed by one or more requisitionists.

(5) If the directors of the Central Warehousing Corporation do not proceed within twenty-one days from the date of the requisition being so deposited to cause the special meeting to be called, the requisitionists, or a majority of them, may themselves call the meeting, but in either case the meeting so called shall be held within three months from the date of the deposit of the requisition.

(6) The Central Warehousing Corporation shall observe such rules of procedure in regard to the transaction of business at its meetings (including the quorum at meetings) as may be provided by regulations made by the Central Warehousing Corporation under this Act.

CHAPTER IV

STATE WAREHOUSING CORPORATIONS

State Warehousing Corporations

28. (1) The State Government may, by notification in the Official Gazette and with the approval of the Central Warehousing Corporation, establish a Warehousing Corporation for the State under such name as may be specified in the notification.

(2) A State Warehousing Corporation established under sub-section (1) shall be a body corporate by the name notified under that sub-section, having perpetual succession and a common seal, with power to acquire, hold and dispose of property and to contract, and may, by the said name, sue and be sued.

(3) The head office of a State Warehousing Corporation shall be at such place within the State as may be notified in the Official Gazette.

Share Capital and Shareholder

29. (1) The authorised capital of a State Warehousing Corporation shall be such sum not exceeding two crores of rupees as may be prescribed, divided into shares of the face value of one hundred rupees each, of which such number as may be determined by the Corporation in consultation with the State Government shall be issued in the first instance and the remaining shares may be issued, from time to time, as and when the Corporation may deem fit in consultation with the Central Warehousing Corporation and with the sanction of the State Government.

(2) Of the share capital issued in the first instance, and of any subsequent issue of such capital, the Central Warehousing Corporation shall, in any case where the State Government has subscribed for fifty per cent. of such capital, subscribed for the remaining fifty per cent. of the capital.

Management of a State Warehousing Corporation

30. (1) The general superintendence and management of the affairs of a State Warehousing Corporation shall vest in a board of directors which shall consist of the following namely:—

(a) five directors nominated by the Central Warehousing Corporation, of whom one shall be nominated in consultation with the State Bank and one at least shall be a non-official ;

(b) five directors nominated by the State Government ;
and

(c) a managing director, appointed by the State Government in consultation with the directors referred to in clauses (a) and (b) and with the previous approval of the Central Warehousing Corporation.

(2) The Chairman of the board of directors shall be appointed by the State Government from among the directors of the State Warehousing Corporation with the previous approval of the Central Warehousing Corporation.

(3) The managing director shall—

(a) be a whole-time officer of the State Warehousing Corporation ;

(b) perform such duties as the State Warehousing Corporation may, by regulations made under this Act, entrust or delegate to him ; and

(c) receive such salary and allowances as the State Warehousing Corporation may, in consultation with the Central Warehousing Corporation, and with the previous approval of the State Government, fix.

(4) The directors in discharging their functions under this Act shall act on business principles having regard to public interest and shall be guided by such instructions on questions of policy as may be given to them by the State Government or the Central Warehousing Corporation.

(5) If any doubt arises as to whether a question is or is not a question of policy, or, if the State Government and the Central Warehousing Corporation give conflicting directions, the matter shall be referred to the Board whose decision thereon shall be final.

(6) The directors of a State Warehousing Corporation, other than the managing director, shall be entitled to receive by way of remuneration such sums as may be prescribed :

Provided that no official director shall be entitled to receive any remuneration other than any allowances admissible to him under the rules regulating his conditions of service.

(7) The term of office of, and the manner of filling casual vacancies among, directors shall be such as may be prescribed.

Disqualification for membership of the board of the Corporation

31. A person shall be disqualified for being chosen as, or for being, a member of the board of directors of a State Warehousing Corporation who—

(i) is, or at any time has been, adjudicated insolvent or has suspended payment of his debts or has compounded with his creditors ; or

(ii) is or has been convicted of any offence involving moral turpitude ; or

(iii) has been removed or dismissed from the service of Government on a charge of corruption or bribery ; or

(iv) except in the case of the managing director, is a salaried official of the Board or of the Central Warehousing Corporation or a State Warehousing Corporation ; or

(v) has directly or indirectly any interest in subsisting contract made with, or in any work being done for, the State Warehousing Corporation except as a shareholder (other than a director) in any public company as defined in the Companies Act, 1956: (1 of 1956).

Provided that where any such person is a shareholder, he shall disclose to the Warehousing Corporation the nature and extent of the shares held by him in such company.

Removal of Directors from office

32. (1) The State Government may, at any time, in consultation, with the Central Warehousing Corporation, remove the managing director from office after giving him a reasonable opportunity of showing cause against the proposed removal.

(2) The board of directors may remove from office any director who—

(a) is or has become subject to any of the disqualifications mentioned in section 31 ; or

(b) is absent without leave of the board of directors for more than three consecutive meetings of the board without cause sufficient in the opinion of the board, to exonerate his absence.

Appointment of officers, etc., and their conditions of service

33. (1) A State Warehousing Corporation may appoint such officers and other employees as it considers necessary for the efficient performance of its functions.

(2) Every person employed by a State Warehousing corporation under this Act shall be subject to such conditions of service and shall be entitled to such remuneration as may be determined by regulations made by the Corporation under this Act.

Functions of the State Warehousing Corporation

34. Subject to the provisions of this Act, a State Warehousing Corporation may—

(a) acquire and build godowns and warehouses at such places within the State as it may, in consultation with the Central Warehousing Corporation, determine ;

(b) run warehouses in the State for the storage of agricultural produce, seeds, manures, fertilizers and agricultural implements ;

(c) subscribe to the share capital of co-operative societies engaged in the storage or warehousing of agricultural produce ;

(d) arrange facilities for the transport of agricultural produce to and from warehouses ;

(e) act as an agent of the Central Warehousing Corporation or of the Government for the purposes of the purchase, sale, storage and distribution, of agricultural produce, seeds, manures, fertilizers and agricultural implements ; and

(f) carry out such other functions as may be prescribed.

Executive Committee

35. (1) There shall be an Executive Committee of a State Warehousing Corporation which shall consist of—

(a) the Chairman of the board of directors ;

(b) the managing director ; and

(c) three other directors chosen in the prescribed manner.

(2) The Chairman of the board of directors shall be the Chairman of the Executive Committee.

(3) Subject to any general or special directions as the board of directors may, from time to time, give, the Executive Committee shall be competent to deal with any matter within the Competence of the State Warehousing Corporation.

CHAPTER V

FINANCE, ACCOUNTS AND AUDIT

Submission of programme of activities and financial estimates

36. (1) The Board and every Warehousing Corporation, shall prepare before the commencement of each year a statement of programme of its activities during the forthcoming year as well as a financial estimate in respect thereof.

(2) A statement prepared under sub-section (1) shall, not later than three months before the commencement of each year, be submitted for approval—

(a) in the case of the Board, to the Central Government ;

(b) in the case of the Central Warehousing Corporation, to the Board ;

(c) in the case of a State Warehousing Corporation, to the Central Warehousing Corporation and the State Government.

Borrowing powers of Warehousing Corporation

37. (1) A Warehousing Corporation may, in consultation with the Reserve Bank and with the previous approval of the appropriate Government, issue and sell bonds and debentures carrying interest for the purpose of raising funds :

Provided that the total amount of bonds and debentures issued and outstanding and of the other borrowings of the Corporation shall not at any time exceed ten times the amount of the paid-up share capital and the reserve fund of the Corporation.

(2) A Warehousing Corporation may, for the purpose of carrying out its functions under this Act, borrow money—

(i) from the Reserve Bank,—

(a) repayable on demand or on the expiry of fixed periods not exceeding ninety days from the date on which the money is so borrowed, against securities of the Central Government or of any State Government ; or

(b) repayable on the expiry of fixed period not exceeding eighteen months from the date on which the money is so borrowed, against securities of the Central Government or of any State Government, of any maturity, or against bonds and debentures issued under sub-section (1) by the borrowing Warehousing Corporation and guaranteed by the appropriate Government and maturing within a period not exceeding eighteen months from the date on which the money is so borrowed :

Provided that the amount borrowed under this sub-clause shall not at any time exceed, in the aggregate, three crores of rupees in the case of the Central Warehousing Corporation and fifty lakhs of rupees in the case of a State Warehousing Corporation ;

(ii) from the State Bank, for such periods for which, and upon any of the securities against which, it is authorised to advance and lend moneys, under the provisions of the State Bank of India Act, 1955. (3 of 1955).

(3) Subject to the proviso to sub-section (1), the Central Warehousing Corporation may borrow money from the Central Government and the Board, and a State Warehousing Corporation may borrow money from the State Government, the Central Warehousing Corporation and the Board, on such securities and on such terms and conditions as may be agreed upon between the borrowing corporation and the lender, in each case.

(4) The bonds and debentures of a Warehousing Corporation may be guaranteed by the appropriate Government as to the repayment of principal and the payment of interest at such rate as may be fixed by the appropriate Government on the recommendation of the board of directors of the Corporation at the time the bonds or debentures are issued.

Deposit account

38. (1) All moneys belonging to the Board shall be deposited in the Reserve Bank or the State Bank.

(2) All moneys belonging to a Warehousing Corporation shall be deposited in the Reserve Bank or the State Bank or, subject to any rules made under this Act, in any scheduled bank or co-operative bank.

Investment of funds

39. A Warehousing Corporation may invest its funds in the securities of the Central Government or any State Government.

Disposal of profits

40. (1) Every Warehousing Corporation shall establish a reserve fund out of its annual net profits.

(2) After making provision for bad and doubtful debts, depreciation on assets and all other matters which are usually provided for by companies registered and incorporated under the Indian Companies Act, 1913, a Warehousing Corporation may, out of its net annual profits, declare a dividend: (7 of 1913).

Provided that for so long as the reserve fund is less than the paid up share capital of the Central Warehousing Corporation and until there has been repaid to the Central Government such sum, if any, as that Government may have paid under a guarantee given in pursuance of sub-section (1) of section 19 or sub-section (4) of section 37, the rate of such dividend, in the case of the Central Warehousing Corporation, shall not exceed the rate guaranteed by the Central Government under sub-section (1) of section 19.

Board of Accounts and Audit

41. (1) The Board shall maintain proper accounts and other relevant records and prepare an annual statement of accounts in such form as may be prescribed in consultation with the Comptroller and Auditor-General of India.

(2) The accounts of the Board shall be audited annually by the Comptroller and Auditor-General of India or any person authorised by him in this behalf and any expenditure incurred in connection with such audit shall be payable by the Board.

(3) The Comptroller and Auditor-General of India and any person authorised by him in connection with the audit of the accounts of the Board shall have the same rights, privileges and authority in connection with such audit as the Comptroller and Auditor-General has in connection with the audit of Government accounts and in particular, shall have the right to demand the production of books, accounts, connected vouchers and other documents and papers and to inspect any office of the Board.

(4) The accounts of the Board as certified by the Comptroller and Auditor-General of India or any other person authorised by him in this behalf together with an audit report thereon shall be forwarded annually to the Central Government and that Government shall cause the same to be laid before both Houses of Parliament.

Accounts and Audit of Warehousing Corporation

42. (1) Every Warehousing Corporation shall maintain proper accounts and other relevant records and prepare an annual statement of accounts including the profit and loss account and the balance-sheet in such form as may be prescribed.

(2) The accounts of a Warehousing Corporation shall be audited by not less than two auditors duly qualified to act as auditors of companies under sub-section (1) of section 144 of the Indian Companies Act, 1913. (7 of 1913).

(3) The said auditors shall be appointed by the appropriate Government and the appropriate Government shall appoint one such auditor in consultation with the Comptroller and Auditor-General of India.

(4) The auditors shall be supplied with a copy of the annual balance-sheet of the Warehousing Corporation, and it shall be their duty to examine it together with the accounts and vouchers relating thereto, and they shall have a list delivered to them of all books kept by the Corporation and shall at all reasonable times have access to the books, accounts and other documents of the Corporation and may in relation to such accounts examine any director or officer of the Corporation.

(5) The auditors shall make a report to the shareholders on the annual balance-sheet and accounts and in every such report they shall state whether in their opinion the balance-sheet is a full and fair balance-sheet containing all necessary particulars and properly drawn up to exhibit a true and correct view of the state of affairs of the Warehousing Corporation and in case they had called for any explanation or information from the directors, whether it has been given and whether it is satisfactory.

(6) The appropriate Government, on the recommendation of the Board, may, after consultation with the Comptroller and

Auditor-General of India at any time issue directions, through the Board to the auditors requiring them to report to the appropriate Government upon the adequacy of measures taken by a Warehousing Corporation for the protection of its shareholders and creditors or upon the sufficiency of their procedure in auditing the accounts of the Corporation and may enlarge or extend the scope of the audit or direct that a different procedure in audit may be adopted or direct that any other examination may be made by the auditors if in the opinion of the appropriate Government public interest so requires.

(7) A Warehousing Corporation shall send a copy of every report of the auditors to the Comptroller and Auditor-General of India and to the Board at least one month before it is placed before the shareholders.

(8) Notwithstanding anything hereinbefore contained in this section the Comptroller and Auditor-General of India may, either of his own motion or on a request received in this behalf from the appropriate Government undertake in respect of Warehousing Corporation such audit and at such time as he may consider necessary:

Provided that where the Central Government is required to make any payment on account of the guarantee given by it under sub-section (1) of section 19, such audit shall be undertaken by the Comptroller and Auditor-General of India.

(9) Every audit report under this section shall be forwarded to the appropriate Government and that Government shall cause the same to be laid before both Houses of Parliament or the Legislature of the State, as the case may be.

CHAPTER VI

MISCELLANEOUS

Vacancies, etc. not to Invalidate Acts and Proceedings of the Board and Warehousing Corporations

43. No act or proceeding of the Board or of a Warehousing Corporation shall be invalid by reason only of the existence of any vacancy among its members or directors or any defect in the constitution thereof.

Voting Rights of Shareholders

44. In any meeting of the shareholders of a Warehousing Corporation every member shall have one vote in respect of each share held by him in the Corporation.

Disputes between Central Warehousing Corporation and State Warehousing Corporation

45. If there is any difference of opinion between the Central Warehousing Corporation and a State Warehousing Corporation regarding their respective functions and powers under this Act, such difference shall be referred to the Board whose decision thereon shall be final.

Declaration of Fidelity and Secrecy

46. Every member, auditor, officer or other employee of the Board and every director, auditor, officer or other employee of a Warehousing Corporation shall, before entering upon his duties, make a declaration of fidelity and secrecy in the form set out in the Schedule.

Indemnity of Directors

47. (1) Every director of a Warehousing Corporation shall be indemnified by the Corporation concerned against all losses and expenses incurred in the discharge of his duties except such as are caused by his own wilful act or default.

(2) A director of a Warehousing Corporation shall not be responsible for any other director or for any officer or other employee of the Corporation or for any loss or expense resulting to the Corporation by the insufficiency or deficiency of value of, or title to, any property or security acquired or taken on behalf of the Corporation in good faith, or by the wrongful act of any person under obligation to the Corporation or by anything done in good faith in the execution of the duties of his office or in relation thereto.

Offences

48. (1) Whoever, without the consent in writing of a Warehousing Corporation, uses the name of that Corporation in any prospectus or advertisement, shall be punishable with imprison-

ment which may extend to six months, or with fine which may extend to one thousand rupees, or with both.

(2) No court shall take cognizance of any offence under sub-section (1) otherwise than on a complaint in writing by an officer authorised in this behalf by the Warehousing Corporation concerned.

Provisions relating to Income-tax and Supper-tax

49. For the purposes of the Indian Income-tax Act, 1922, a Warehousing Corporation shall be deemed to be a company within the meaning of that Act and shall be liable to income-tax and super-tax accordingly on its income, profits and gains: (11 of 1922).

Provided that in the case of the Central Warehousing Corporation any sum paid by the Central Government under the guarantee given in pursuance of sub-section (1) of section 19 or in the case of a Warehousing Corporation any sum paid by the Central or a State Government under any guarantee given in pursuance of sub-section (4) of section 37 shall not be treated as income, profits and gains of a Warehousing Corporation, and any interest on the debentures or bonds issued by that Corporation out of such sums shall not be treated as expenditure incurred by it:

Provided further that in the case of any shareholder or debenture-holder such portion of a dividend or interest as has been paid out of any such sum advanced by the Central Government shall be deemed to be his income from interest on securities declared to be income-tax free within the meaning of section 8 of that Act.

Dissolution of Board

50. (1) The Central Government, if it is of opinion that the Board has failed to carry out its functions under this Act or that for any other reason it is not necessary to continue the Board, may, by notification in the Official Gazette, dissolve the Board from such date as may be specified in the notification.

(1) When the Board is dissolved under sub-section (1) —

(a) all members of the Board shall, from the date of dissolution, vacate their offices as such members ;

(b) all powers and duties of the Board shall, as from the date of dissolution, be exercised and performed by the Central Government or such person or persons as the Central Government may appoint in this behalf ;

(c) all funds and other property vested in the Board shall vest in the Central Government.

Winding up of Warehousing Corporations

51. No provision of law relating to the winding up of companies or corporations shall apply to a Warehousing Corporation and any such Corporation shall not be placed in liquidation save by order of the appropriate Government and in such manner as it may direct.

Power to Make Rules

52. (1) The appropriate Government may, by notification in the Official Gazette, make rules to carry out the purposes of this Act.

(2) Without prejudice to the generality of the foregoing power, such rules may provide for—

(a) the manner in which representatives of the Central Government shall be nominated under clause (i) of sub-section (2) of section 3 ;

(b) the manner in which the Chairman and Vice-Chairman of the Board shall be chosen ;

(c) the term of office of members of the Board and the manner of filling vacancies among them ;

(d) the methods of appointment, the conditions of service and the scale of pay of the Secretary to the Board ;

(e) the manner in which the members shall be appointed under clause (b) of sub-section (1) of section 10 and the manner in which the Vice-Chairman of the Executive Committee shall be nominated under clause (b) of sub-section (2) of section 10 ;

(f) the returns, statements and other particulars in regard to the discharge of its functions to be furnished by the Board to the Central Government ;

(g) the form and the manner in which, and the time within which, the Board shall furnish to the Central Government returns, statements and other particulars with regard to the discharge of its functions ;

(h) the form and the manner in which, and the time within which, the Board shall furnish to the Central Government a report of its activities, policy and programme ;

(i) the additional functions which a Warehousing Corporation may perform ;

(j) the manner of nomination and election of the directors of the Central Warehousing Corporation and the period within which such directors shall be nominated or elected ;

(k) the term of office of, and the manner of filling casual vacancies among, and the remuneration payable to, the directors of a Warehousing Corporation ;

(l) the manner of choosing directors on the Executive Committee of a Warehousing Corporation ;

(m) the maximum limit of the authorised capital of a State Warehousing Corporation ;

(n) the form of the annual statement of accounts and the balance-sheet to be prepared by a Warehousing Corporation ;

(o) the deposit of moneys of a Warehousing Corporation in a scheduled bank or a co-operative bank ;

(p) the manner of issuing shares of a Warehousing Corporation, the calls to be made in respect thereof, and all other matters incidental to the issue of shares.

(3) All rules made by the appropriate Government under this section shall, as soon as may be after they are made, be laid before both Houses of Parliament or the Legislature of the State as the case may be.

Power of Board to Make Regulations

53. (1) The Board may, with the previous sanction of the Central Government, by notification in the Official Gazette, make regulations not inconsistent with this Act and the rules made

thereunder, to provide for all matters for which provision is necessary or expedient for the purposes of giving effect to the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for—

(a) the manner in which meetings of the Board and the Executive Committee thereof shall be convened, the fees for attending such meetings and the procedure to be followed thereat ;

(b) the methods of appointment, the conditions of service and the scales of pay of the officers (other than the Secretary) and other employees of the Board ;

(c) the duties and conduct of officers and other employees of the Board ;

(d) the time when the accounts of a Warehousing Corporation may be closed ; and

(e) generally the efficient conduct of the affairs of the Board ;

(3) The Central Government may, by notification in the Official Gazette, rescind any regulation which it has sanctioned and thereupon the regulation shall cease to have effect.

Power of Warehousing Corporations to Make Regulation

54. (1) A Warehousing Corporation may, with the previous sanction of the appropriate Government by notification in the Official Gazette, make regulations not inconsistent with this Act and the rules made thereunder to provide for all matters for which provision is necessary or expedient for the purposes of giving effect to the provisions of this Act.

(2) In particular, and without prejudice to the generality of the foregoing power, such regulations may provide for—

(a) the conditions of service of, and the remuneration payable to, the officers and other employees of a Warehousing Corporation ;

(b) the manner in which and the conditions subject to which, shares of the Central Warehousing Corporation may be transferred ;

(c) the manner in which meetings of a Warehousing Corporation and the Executive Committee thereof shall be convened, the fees for attending such meetings, the procedure to be followed thereat ;

(d) the duties and conduct of officers and employees of a Warehousing Corporation ;

(e) the duties which may be entrusted or delegated to the managing director of a Warehousing Corporation ;

(f) generally, the efficient conduct of the affairs of a Warehousing Corporation.

(3) The appropriate Government may, by notification in the Official Gazette, rescind any regulation which it has sanctioned and thereupon the regulation shall cease to have effect.

Amendment of the Reserve Bank of India Act, 1934

55. In the Reserve Bank of India Act, 1934, in section 17, after clause (4B), the following clause shall be inserted, namely:—
(2 of 1934).

“(4C) the making to a Warehousing Corporation established under the Agricultural Produce (Development and Warehousing) Corporations Act, 1956 of loans and advances,—

(a) repayable on demand or on the expiry of fixed periods not exceeding ninety days, from the date of such loan or advance, against securities of the Central Government or of any State Government, or

(b) repayable on the expiry of fixed periods not exceeding eighteen months from the date of such loan or advance, against securities of the Central Government or of any State Government of any maturity, or against bonds and debentures issued by the Corporation to which the loan or advance is made, and guaranteed by the Central or a State Government, and maturing within a period not exceeding eighteen months from the date of such loan or advance:

Provided that the amount of loans and advances granted under clause (b) shall not at any time exceed, in the aggregate, three crores of rupees in the case of the Central Warehousing Corporation and fifty lakhs of rupees in the case of a State Warehousing Corporation”.

THE SCHEDULE

(See section 46)

DECLARATION OF FIDELITY AND SECRECY

I declare that I will faithfully, truly and to the best of my judgment, skill and ability execute and perform the duties required of me as a director, officer, employee or auditor (as the case may be) of the Warehousing Corporation and which properly relate to any office or position in the said Corporation held by me.

I further declare that I will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the said Corporation nor will I allow any such person to inspect or have access to any books or documents belonging to, or in the possession of, the Corporation and relating to the business of the Corporation.

Signature

Signature

Signature

Signed before me

Date.

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